



Herald
LEADING-EDGE INVESTING

Herald Investment Trust plc 2023

Annual report & financial statements
31 December 2023

Herald Investment Trust's objective is to achieve capital appreciation through investments in smaller quoted companies in the areas of telecommunications, multimedia and technology.

Investments may be made across the world. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies.

Introductory Highlights

- 1 Highlights
- 2 Company Summary
- 3 Year's Summary

Investment Report

- 6 Company Overview
- 7 Geographical Analysis
- 8 Chairman's Statement
- 10 Investment Manager's Report
- 16 Classification of Investments
- 17 Top Twenty Equity Holdings
- 21 Detailed List of Investments
- 29 Long-Term Performance

Governance

- 34 Strategic Report
- 42 Your Board of Directors
- 43 Corporate Governance Report
- 47 Audit Committee Report
- 49 Directors' Report
- 51 Directors' Remuneration Report
- 54 Statement of Directors' Responsibilities
- 55 Independent Auditors' Report

Financial Statements

- 64 Statement of Comprehensive Income
- 65 Statement of Financial Position
- 66 Statement of Changes in Equity
- 67 Statement of Cash Flows
- 68 Notes to the Financial Statements

General

- 80 Notice of Annual General Meeting
- 82 Further Shareholder Information
- 84 Alternative Performance Measures

HIGHLIGHTS

NET ASSET VALUE (NAV)^A
PER SHARE 31 DECEMBER 2023

£22.19

CHANGE IN NAV^A
PER SHARE IN 2023

+5.7%

TOTAL NAV RETURN
SINCE INCEPTION

2,315.3%

NAV AT 31 DECEMBER 2022

£1,305.0m +

TOTAL RETURN
IN 2023

£48.2m

SHARE BUYBACKS
IN 2023

-£107.4m =

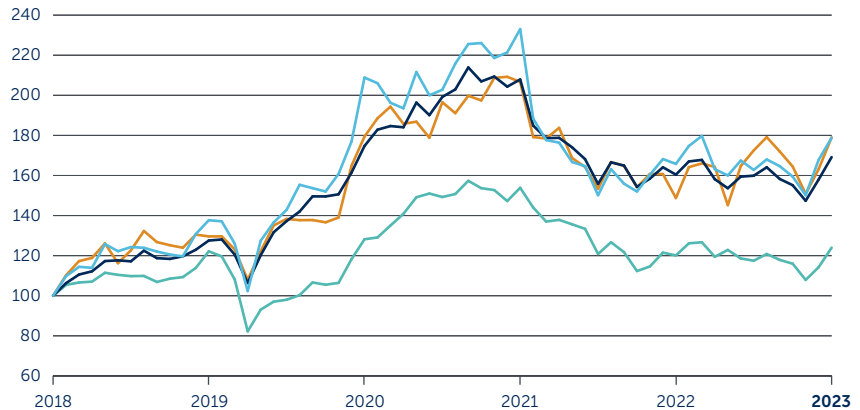
NAV AT 31 DECEMBER 2023

£1,245.8m

A Alternative Performance Measures - see page 84.

FIVE YEAR TOTAL RETURN (FIGURES HAVE BEEN REBASED TO 100 AT 31 DECEMBER 2018)

- Fully diluted NAV
- Share price
- Numis Smaller Companies plus AIM (ex. investment companies) Index
- Russell 2000® Technology Index (small cap) (in sterling terms)



Source: LSEG Data & Analytics.

TOP FIVE WINNERS AND LOSERS 2023 TOTAL (LOSS)/GAIN IN 2023 IN STERLING TERMS (MILLIONS)

TOP 5 LOSERS

Zoo Digital	-10.4	55.5
Cirata	-8.8	21.3
S4 Capital	-5.5	7.2
Nordic Semiconductor	-5.5	7.0
IQE	-5.3	6.1

TOP 5 WINNERS

- Super Micro Computer
- BE Semiconductor
- Fabrinet
- Varonis Systems
- Celestica

COMPANY SUMMARY

Company data at 31 December 2023

SHAREHOLDERS' FUNDS

£1,246m

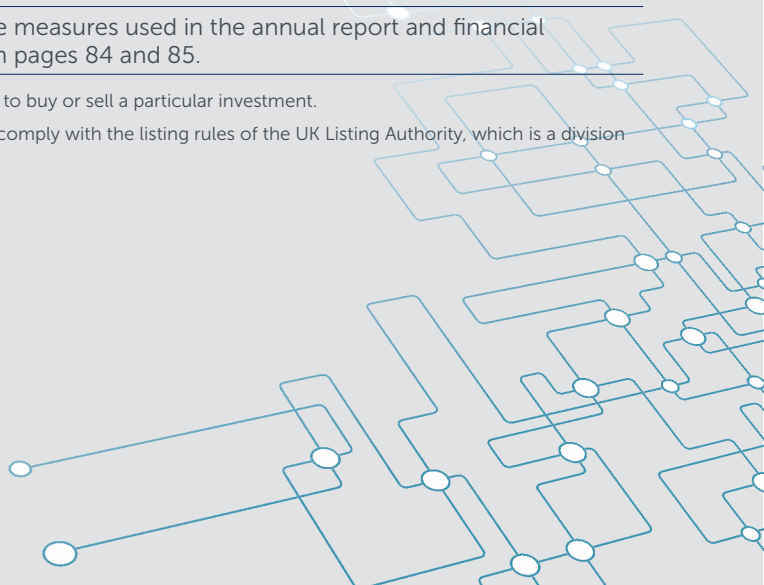
MARKET CAPITALISATION

£1,079m

OBJECTIVE AND POLICY	The objective of Herald Investment Trust plc ('Herald' or the 'Company') is to achieve capital appreciation through investments in smaller quoted companies in the areas of telecommunications, multimedia and technology ('TMT'). Investments may be made across the world. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies. The Company's investment policy is contained within the Strategic Report on page 34.
COMPARATIVE INDICES	The portfolio comparative indices are the Numis Smaller Companies plus AIM (ex. investment companies) Index in the UK and the Russell 2000® Technology Index (small cap) (in sterling terms) in the US. Though we consider these indices to provide reasonable bases for measuring the Company's performance, the portfolio is not modelled on them and outcomes may diverge widely.
MANAGEMENT DETAILS	Herald Investment Management Limited ('HIML' or the 'Manager') is the appointed investment manager to the Company. The management contract can be terminated at 12 months' notice. Administration of the Company and its investments is delegated to The Bank of New York Mellon (International) Limited ('BNYMIL') and company secretarial duties to Apex Listed Companies Services (UK) Limited ('Apex').
CAPITAL STRUCTURE	As at 31 December 2023 the Company's share capital consisted of 56,134,670 ordinary shares of 25p each which are issued and fully paid. The Company has been granted authority to buy back a limited number of its own ordinary shares for cancellation. During the year 6,038,553 ordinary shares were bought back and cancelled. The directors are seeking to renew this authority at the forthcoming annual general meeting ('AGM').
MANAGEMENT FEE	HIML's annual remuneration is 1.0% of the Company's net asset value (excluding current year revenue) based on middle market prices on the first £1.25bn and 0.8% thereafter, calculated on a monthly basis, payable in arrears.
CONTINUATION VOTE	At the AGM of the Company held in April 2022, shareholders voted in favour of the Company continuing to operate as an investment trust. The next continuation vote will be put to shareholders at the 2025 AGM and every third year thereafter.
AIC	The Company is a member of the Association of Investment Companies.
LEGAL ENTITY IDENTIFIER ('LEI')	An LEI is a 20-digit code which allows entities involved in financial transactions to be identified. This is a global transparency measure endorsed by the G20. The Company's LEI is: 213800U7G1ROCTJYRR70
ALTERNATIVE PERFORMANCE MEASURES	The alternative performance measures used in the annual report and financial statements are described on pages 84 and 85.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Investment trusts are UK public listed companies and as such are required to comply with the listing rules of the UK Listing Authority, which is a division of the Financial Conduct Authority.



YEAR'S SUMMARY

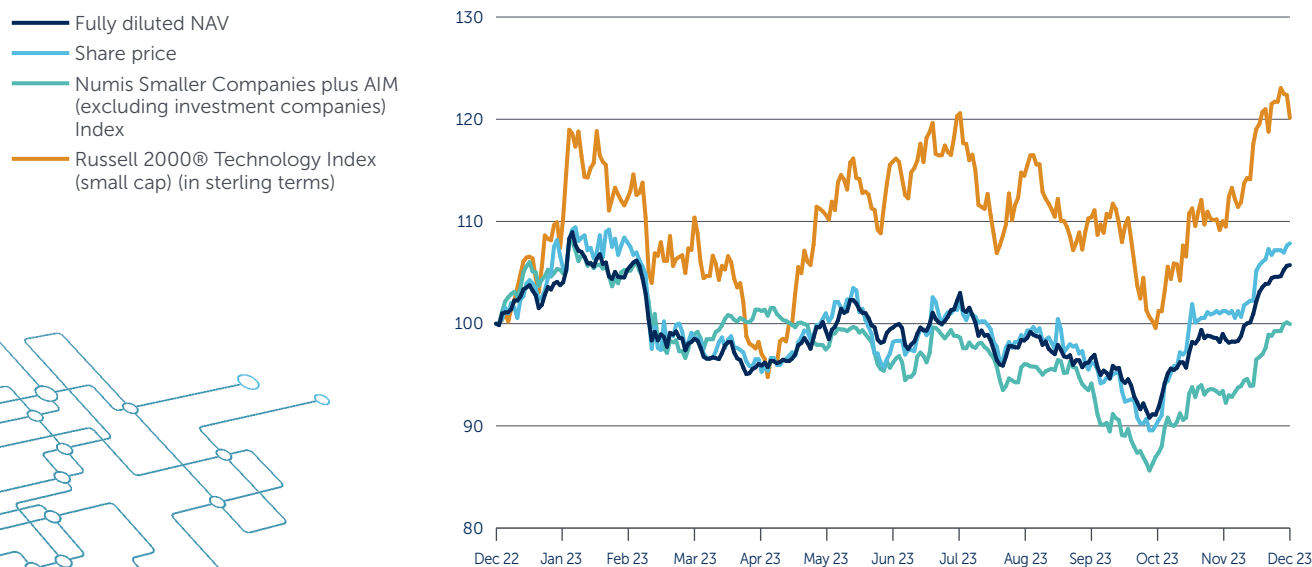
	31 December 2023	31 December 2022	% change	
Total net assets	£1,245.8m	£1,305.0m		
Shareholders' funds	£1,245.8m	£1,305.0m		
Net asset value per ordinary share ^A	2,219.2p	2,099.1p		+5.7
Share price ^A	1,922.0p	1,782.0p		+7.9
Numis Smaller Companies plus AIM (ex. investment companies) Index (capital only)	5,404.7	5,406.8		0.0
Russell 2000® Technology Index (small cap) (in sterling terms) (capital only) ^B	4,605.3	3,814.1		+20.7
Dividend per ordinary share	–	–		
Profit per ordinary share (revenue)	6.79p	0.21p		
Ongoing charges ^A	1.07%	1.05%		
Discount to NAV ^A	13.4%	15.1%		
Year to 31 December	2023	2023	2022	2022
Year's high and low	High	Low	High	Low
Share price	1,950.0p	1,596.0p	2,570.0p	1,560.0p
Net asset value ^A per ordinary share	2,283.5p	1,911.4p	2,719.0p	1,978.7p
Discount ^A	17.3%	11.4%	25.2%	4.1%
At 31 December	2023		2022	
Profit/(loss) per ordinary share				
Revenue	6.79p		0.21p	
Capital	74.35p		(641.23p)	
Total	81.14p		(641.02p)	

A Alternative Performance Measure - see page 84.

B Investments and indices valued at USD/GBP exchange rate of 1.275 at 31 December 2023 (1.209 31 December 2022).

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1 YEAR CHART OF NAV, SHARE PRICE AND COMPARATIVE INDICES – CAPITAL RETURN (FIGURES HAVE BEEN REBASED TO 100 AT 31 DECEMBER 2022)



Investment Report

6	Company Overview
7	Geographical Analysis
8	Chairman's Statement
10	Investment Manager's Report
16	Classification of Investments
17	Top Twenty Equity Holdings
21	Detailed List of Investments
29	Long-Term Performance



The underlying fundamentals in most investee companies remain sound, but smaller company markets continue to be challenged by investor withdrawals. The Company's investments are exposed to structurally growing markets which should deliver good long-term returns.



Katie Potts, Investment Manager

COMPANY OVERVIEW

Herald Investment Trust plc

Achieving capital growth

Annual report & financial statements 2023

Herald invests, generally on a long-term basis, using fundamental analysis. The telecommunications, multimedia and technology sectors globally comprise over 5,000 quoted companies, and many more unquoted.

The Manager focuses on investment within the telecommunications, multimedia and technology sector.

Focus on the sector enables a significant degree of cross-referencing across competitors, customers and suppliers globally. Using this mosaic of information and industry

knowledge combined with strong financial analysis, we endeavour to add value. The evolving nature of technology means there is a wide divergence of performance between winners and losers, but the winners can be spectacular.

WHAT WE DO

WHAT WE DO

Analysis entails a prolific number of meetings with companies, either at Herald's office, virtually, through site visits or at conferences globally, as well as broker-hosted meetings. In addition, Herald relies on independent industry research and published company filings statements, presentations, websites and broker research.

The Company has consistently invested in early stage companies, often providing primary development capital,

then holding investments for long periods, regularly providing further capital when needed.

Many of these holdings have a high stock specific risk and the Company aims to offer investors a low risk way to gain exposure to these exciting opportunities through broad diversification in the number of holdings and the maturity of the businesses.

HISTORY OF THE COMPANY

HISTORY OF THE COMPANY

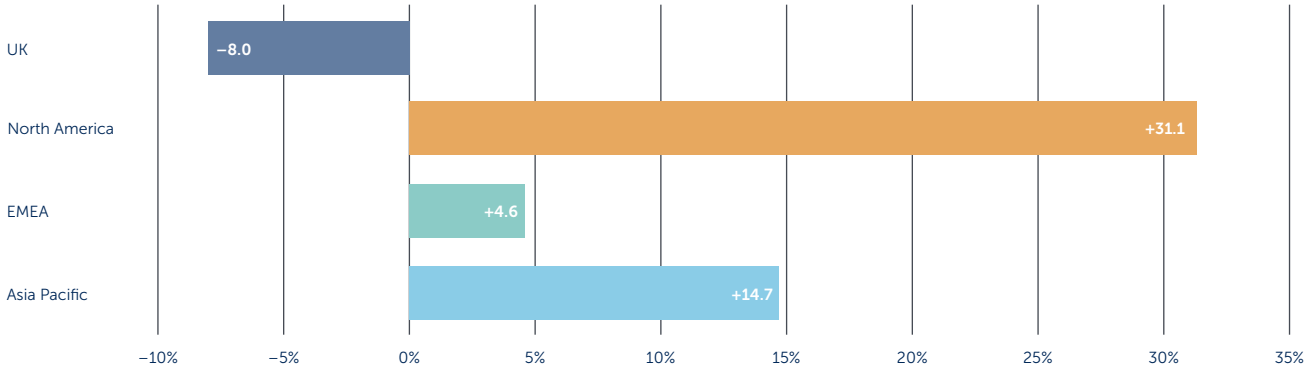
The Company was established in 1994 raising £65m to invest in UK and European smaller TMT companies. In 1996 a further £30m was raised to globalise the fund with the recognition that TMT is a global sector and cross-referencing across geographies is a prerequisite for investing within the sector. Since 1996 no further capital has been raised, but share repurchases totalling £344m have been made.

Over the history of the Company the NAV per share, on a total return basis, has compounded at an annualised rate of 11.2%.

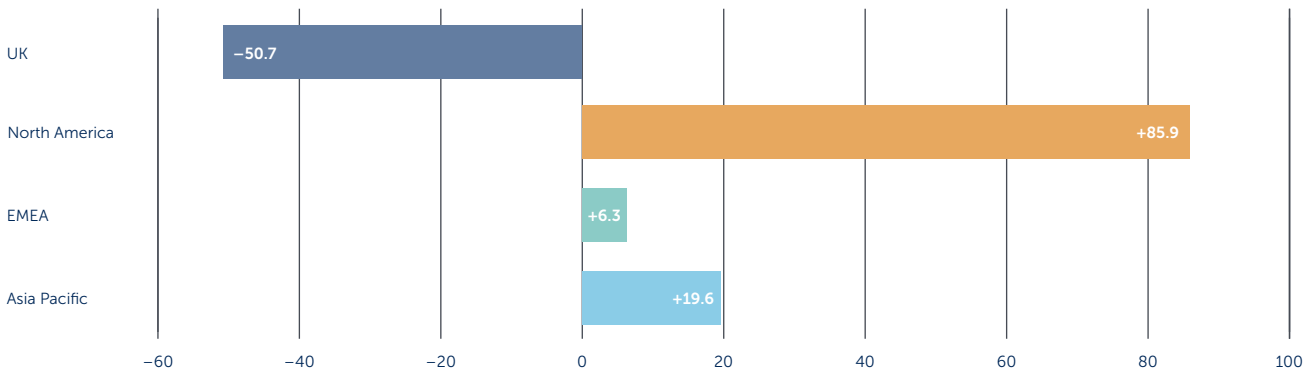
GEOGRAPHICAL ANALYSIS

GEOGRAPHICAL RETURNS

TIME WEIGHTED RETURN BY GEOGRAPHY YEAR ENDED 31 DECEMBER 2023*
(STERLING, PERCENT)

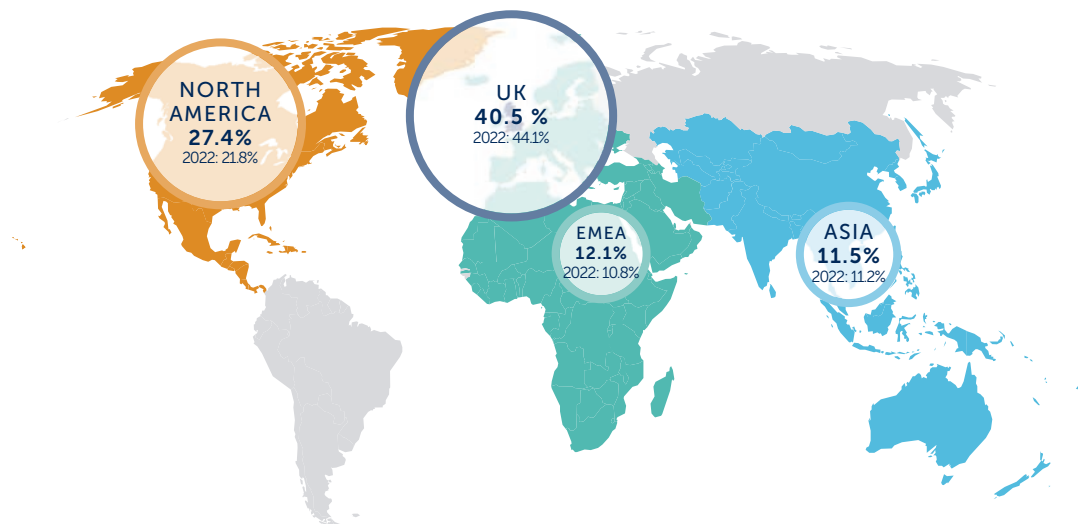


CONTRIBUTION TO EQUITY INVESTMENT APPRECIATION/DEPRECIATION YEAR ENDED 31 DECEMBER 2023
(STERLING, MILLIONS)



*Costs including those of borrowing are accounted for at Company level.

GEOGRAPHICAL SPREAD OF EQUITY INVESTMENTS AT 31 DECEMBER 2023†



† As a percentage of total assets.

CHAIRMAN'S STATEMENT

Larger market caps sparkling, micro caps lagging.

This is my first annual statement since assuming the chairmanship of the Company in April 2023. I would like to thank my predecessor Tom Black and my board colleagues for entrusting me with the role and making my job much easier through their constructive and collegiate approach.

The Herald Investment Trust has a remarkable long-term record. Had you bought shares at inception in 1994, you would have made 22 times your money, a compound annual return comfortably into double figures. Since 1996 the Company has not issued any new shares and has bought back more than £340m worth of its own shares. The successive boards of the Company, and the Manager, have exercised commendable capital discipline, recognising that the size of the Company should not outgrow the strategy of investing only in smaller technology and communication companies worldwide. In the year to 31 December 2023 alone the Company bought back £107.4m of shares, representing some 9.7% of the outstanding shares at the start of the year.

Stepping back, the purpose of an investment trust remains the same as it was when the vehicle was invented in the 19th century: to allow savers, whether directly or indirectly through, for example, pension funds, to gain exposure to a portfolio of shares, expertly managed, which they would almost certainly be unable to do on their own. The Herald Investment Trust represents a classic use of the vehicle. In the Company's case, its investment strategy inevitably involves investing in stocks which are comparatively illiquid by virtue of their small capitalisations. Part of the reason for the Company's success is that it can take a long-term view of growth and value, and not be looking over its shoulder for short-term liquidity. A closed-end vehicle is well adapted to that role, with selling of the Company's own shares representing the way for shareholders to realise cash if needed, as opposed to redemptions of units, which would require the Company to sell the underlying shares to effect the redemptions. The Company's strategy cannot be successfully executed through an open-ended fund, which



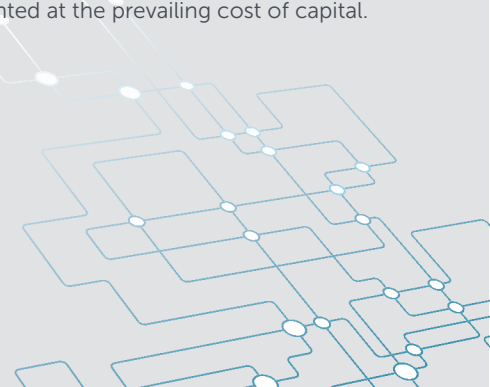
Investment trust structure remains the right vehicle for illiquid smaller company markets.



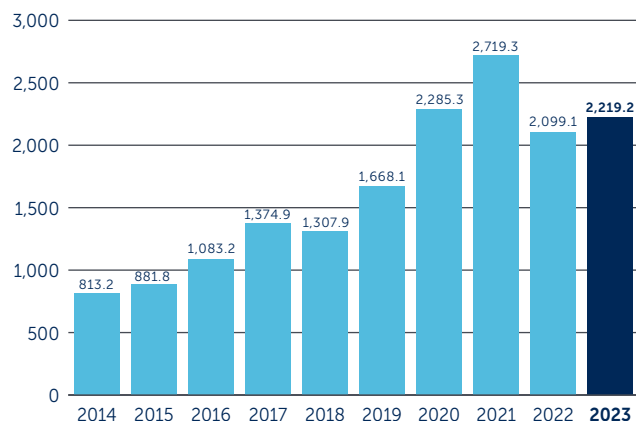
ANDREW JOY, CHAIRMAN

would compel the Company either to sell illiquid shares at a forced seller's price to finance redemptions, and/or change its successful strategy and invest only in the larger, more liquid, segment of the target market, which would run counter to the long-term interests of the Company and its shareholders.

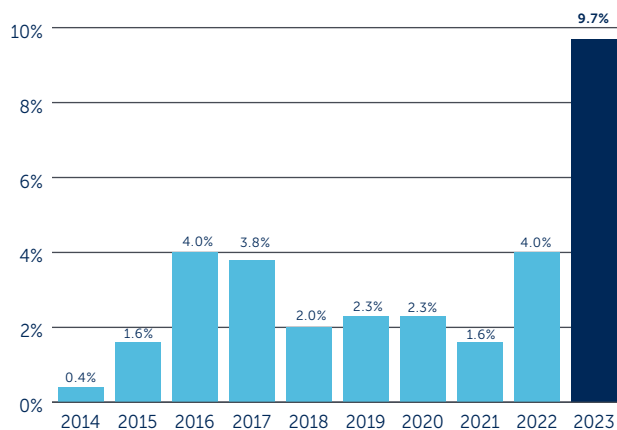
There will be times when the focus of the Company on smaller stocks leads to underperformance against the wider stock market. 2023 was one such year. Growth in the Company's NAV per share was 5.7% against stronger returns from the global stock markets. As detailed in the Manager's Report, the main cause of the Company's sluggish relative performance is illustrated by the divergence between the performance of the Company's larger stocks and smaller ones, which was extreme in 2023. The 39 investments with a market cap of greater than \$3bn delivered returns of 72.1% in the year against -9.2% for the 283 companies capitalised at less than \$3bn. This reflects a similar, if less exaggerated, divergence within the wider stock markets of the world. This in turn reflects in part a stage in the interest rate cycle: after many years of very low rates, with the cost of capital similarly very low, rates have returned to 'reality' leading to the current reversal of popularity between small cap stocks and larger companies, whose current valuations are less dependent than smaller cap companies on a terminal value many years out which is then discounted at the prevailing cost of capital.



NET ASSET VALUE PER SHARE (PENNY)



SHARE BUYBACKS (PERCENTAGE OF SHARES OUTSTANDING)



Savers were also for the first time for many years able to earn a material return on cash deposits. The divergence was enhanced by the fact that 40% or so of the Company's holdings by value are in the UK. With 2023 seeing an underperformance in wider markets for the UK against the rest of the world, the Company's portfolio suffered from a 'double whammy' of focus on smaller stocks and the UK. Again, the Manager's Report sets out the relative underperformance of the UK, driven not by poor performance overall of the stock picks, but by a contraction in price to earnings ('p/e') multiples applied to the earnings, against a material expansion in p/e multiples in all other regions.

As is typical of cycles, the underperformance of both small cap and the UK will turn: eventually their relative good value will be hard to ignore. In the meantime patience is needed. The factors at work are the subject of frequent dialogue between the Company's board and the Manager: it is right to question the fundamental tenets of the investment strategy when there is underperformance. Part of this underperformance may result from a structural shift as an increased share of investment dollars is taken by index tracker funds, which do not invest in small and micro stocks. However, the board remains confident that the Company is operating in a sector of the capital markets, namely small cap technology and communications (in which there are more than 5,000 public companies globally) which is going to continue to prosper in the long run by comparison with many other sectors. The typical investor has few options to gain exposure to the sector on a global basis – for example there is no way to invest in that sector through an ETF – and the Company fulfils that

requirement, with the added benefit of the Manager's proven investment process and stock picking skills. Similarly the Company plays a vital role in providing primary capital to companies especially in the UK. Because Herald is 'one of a kind', it is in a position to pick and choose the companies it will support, and as deal flow picks up, it will be the destination of choice for relevant companies wishing to raise equity capital.

The Company's performance in the various geographies is discussed in the Manager's Report. Although there was underperformance by some measures against the market in smaller companies in the UK, albeit not versus the AIM Technology sector, there was a strong outperformance in the US. Needless to say, over the longer term the Company compares very well on every measure.

On the income account, the Company itself benefitted from higher rates of interest receivable on its cash and near cash. However, with a deficit in revenue reserves, no dividend is payable.

The Manager details in its report that selling pressure in the Company's own shares has been the greatest in its history. Again this reflects a wider market phenomenon, driven largely by the changed interest rate background, with selling of investment company shares and redemptions from open-ended funds, both pretty universal and at an elevated level. In the case of UK investment companies, the position is not helped by certain regulatory challenges, most notably a perverse requirement to aggregate investment companies' charges (already discounted in share prices) with the wealth or fund manager's own costs. The practical effect has been to drive away what should be natural sources of demand for the Company's shares and deny the ultimate retail investor the opportunity to invest in a sector otherwise tailor-made for them. Hopefully 2024 will see sense prevail amongst the authorities.

The Company has entered 2024 with over £100m cash and near cash, representing some 8.5% of net asset value. Having avoided over-priced opportunities in recent years, this cash will allow the Company to take advantage of placings and perhaps IPOs at the more sensible valuation levels now prevailing. In that same time, as detailed in the Manager's Report, the Company has taken advantage of many takeover bids for its holdings, not unusually at 100% or more of the undisturbed price, and these have been the primary source of the Company's current liquidity.

The board is confident that long-term shareholders, who form the significant majority, will continue to be well served by the Company, and their investment aspirations of long-term growth will be fulfilled.

In December we welcomed Priya Guha MBE to the board. As detailed in the annual report, Ms Guha brings wide experience in the technology sector and a history of working across the UK private and public sectors. The latter is relevant for the Company, given the need for improvement at the regulatory level on a number of fronts to ensure a healthy market in smaller tech companies in the UK.

Karl Sternberg will not be standing for re-election at the forthcoming AGM, having served a nine year term. The board wish to record its appreciation for his many and varied valuable contributions since he joined the board in 2015, a period during which there have been many changes to the markets in which the Company operates, and which has seen the Company grow to become a constituent of the FTSE 250.

ANDREW JOY
CHAIRMAN
21 February 2024

INVESTMENT MANAGER'S REPORT

Artificial Intelligence delivers outsized returns in a handful of holdings and adds another dynamic driver to the sector.

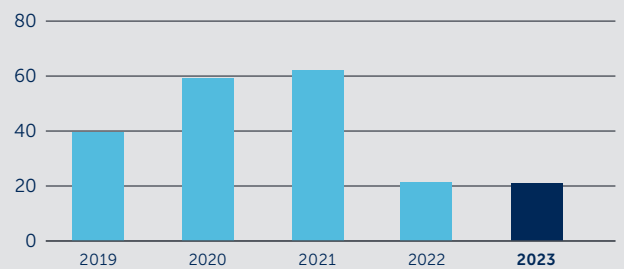
It is a relief to report growth in the Company's net asset value per share of 5.7% thanks to a rally in the last two months of the year. In the technology sector the excitement has focused on artificial intelligence, which has fed through to strong demand, and even stronger share price performance, for a handful of stocks in this portfolio which have been significant enough to deliver a creditable performance for the Company in 2023. AI enthusiasm has been much more significant in the global large capitalisation technology indices.

Otherwise, sentiment has been dominated by the end of quantitative easing, and the normalisation of interest rates, and there has been an extraordinary divergence between the performance of larger companies and small ones. It is difficult to determine how much the small company underperformance has reflected expectations that smaller companies would be more challenged in the economic environment of higher interest rates and slower growth, and how much it reflects redemptions in smaller company funds which are the most significant investors on many small companies' share registers.

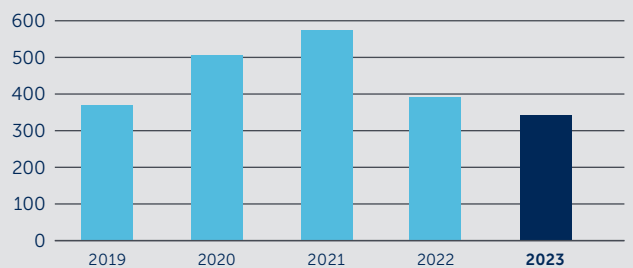
The table below shows the regional returns and highlights how badly the UK has done. However, the greater divergence is market capitalisation, where the returns for stocks below \$3bn market capitalisation are much more comparable, and poor in all regions. The median market capitalisation in the UK is much smaller than North America and Asia. Most of the investments operate globally and are exposed to global demand, yet valuations and stock market dynamics are more regional.

At the start of the year, there were 22 holdings with a market capitalisation in excess of \$3bn, being an aggregate value of £226m, by the year-end, market movements took this to 39 companies with an aggregate value of £309m. The returns of these groups are as follows:

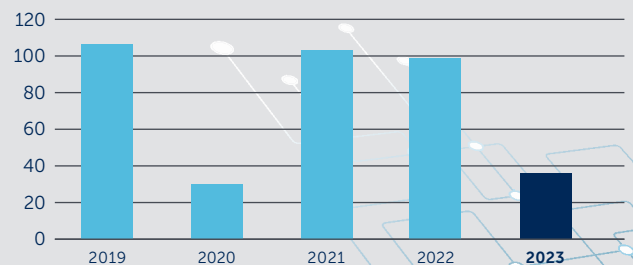
PLACINGS AND IPOs
(STERLING, MILLIONS)



AIM HOLDINGS
(STERLING, MILLIONS)



TAKEOVERS
(STERLING, MILLIONS)



Regional Returns*	Return – all investments	Return – investments with market cap >\$3bn at 31 Dec 2023	Return – investments with market cap <\$3bn at 31 Dec 2023	Return – investments with market cap >\$3bn at 31 Dec 2022	Return – investments with market cap <\$3bn at 31 Dec 2022
United Kingdom	-8.7%	28.5%	-10.5%	25.6%	-10.1%
North America	31.1%	84.8%	-9.8%	96.1%	4.4%
EMEA	4.5%	146.2%	-11.7%	43.8%	-8.1%
Asia	14.8%	38.5%	3.5%	19.6%	13.7%
Total return	5.7%	72.1%	-9.2%	63.3%	-4.3%
Number of companies	322	39	283	22	300
Market value	£1,139.9m	£308.7m	£831.2m	£226.2m	£913.7m

*IRR for year to 31 December 2023.

It appears to be more than just a cyclical divergence, but a structural change. There have been positive cash flows into index tracking funds, which do not invest in smaller companies, and when companies grow into the radar screen they benefit from a rerating. To a degree this has always been the case, but this effect seems more extreme now. Of greater concern is the withdrawal of investors from the smaller company public markets. In the US, this is reflected in companies scaling to a greater extent funded by venture capitalists, who in recent years have used an initial public offering as an exit rather than as a final round of development capital. In consequence, valuations have generally not attracted us. In the UK and Europe, IPOs are still used to raise development capital, because venture pockets are less deep, but in the last year the withdrawal of capital has meant the public markets have been virtually closed for primary capital raises apart from necessary secondary offerings, often at distressed valuations.

There have been noticeable areas of demand weakness in parts of our targeted sectors. In particular, there has been reduced demand for IT services, which seems to reflect a slowdown in capital expenditure associated with the higher cost of capital and a weaker advertising market. In addition, the high order backlogs associated with covid related supply issues have evaporated. A few investments have had their own particular challenges, but, in general, trading conditions have been benign. A greater effect on returns has been p/e multiple expansion and contraction.

REGIONAL ALLOCATION CHANGES (STERLING THOUSANDS)

	Valuation at 31 December 2022	Net acquisitions/ (disposals)	Amortisation	Appreciation/ (depreciation)	Valuation at 31 December 2023
Equities*					
UK	575,522	(12,533)	–	(59,055)	503,934
North America	284,450	(27,630)	–	84,751	341,571
EMEA	141,424	4,230	–	4,695	150,349
Asia Pacific	145,477	(19,051)	–	17,594	144,020
Total equities	1,146,873	(54,984)	–	47,985	1,139,874
Government bonds	77,640	(15,825)	1,516	(2,566)	60,765
Total investments	1,224,513	(70,809)	1,516	45,419	1,200,639
Net liquid assets	80,535	(34,101)	–	(1,316)	45,118
Total net assets*	1,305,048	(104,910)	1,516	44,103	1,245,757

* Equities includes convertibles and warrants.
+ The total assets figure comprises assets less current liabilities.

Regional Price to Earnings

	2022 Year-end P/E	2023 Year-end P/E	% change
UK	16.7	16.0	-4.2
North America	17.9	22.3	24.6
EMEA	24.1	30.4	26.1
Asia	16.9	21.5	27.2

Source: Bloomberg. Analyst earnings estimates, where available, are aggregated using the Bloomberg weighted harmonic average calculation. This excludes loss-making companies from the P/E calculation. A weighted harmonic average will normally be lower than a geometric or arithmetic average.

On Bloomberg estimates, the forecast p/e has expanded materially in all regions except the UK. This implies that there have been material reductions in profit expectations in Asia and EMEA where multiple expansion far exceeds share price returns. In North America, the share price performance exceeds the multiple expansion implying rising profit expectations, whereas on average UK profit expectations have marginally slipped and valuations are a little lower. There is also of course the mid cap rerating which has had a greater effect in Asia and North America.

There have been fourteen takeovers announced during the year. There was a quiet patch reflecting economic uncertainty in the first half, and it is noticeable that 12 of these were announced in the second half. In contrast, we have not participated in any IPOs. This is the inevitable result of more sellers than buyers, largely due to redemptions from small company funds and professional managers moving up the size chain where there is more liquidity.

We have been quite surprised by the scale of net selling in Herald Investment Trust's own shares, which has resulted in a record level of buybacks (£107m) and a discount player accumulating a stake not dissimilar in size. Since launching the Company nearly thirty years ago, the scale of selling this year has been without parallel. Some of this will reflect investors switching into fixed income, some will be investors cautious about the global economy and UK smaller companies in particular, but we are also aware of some wealth managers removing all investment trusts from their recommended lists because of the cost disclosure requirements. At the IPO in 1994 our own investors were mainly pension funds and insurance companies. There was

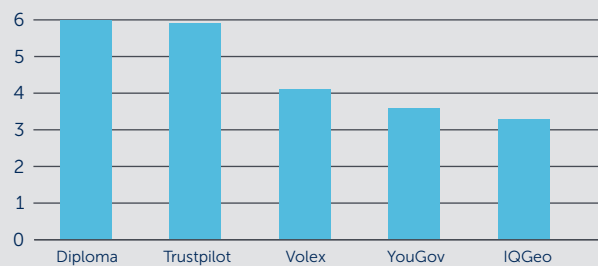
INVESTMENT MANAGER'S REPORT CONTINUED

a rotation on the register from 2000-08 when these investors exited, reflecting regulatory and tax changes, and they were largely replaced by wealth managers. More recently, retail investors through platforms have appeared, and now represent over 15% of the register.

We fervently believe in the target mandate long-term and believe that specialist active management is required to provide capital intelligently for growing businesses. Having invested over £600m in primary capital, in spite of only ever raising £95m of outside capital ourselves and having delivered a total return of over 22x per share, we are well placed to continue this. However, a challenging 2024 seems likely as the bond markets are hungry for cash and fiscal deficits in the major economies must be reduced. It seems a discount to net assets is an appropriate compromise for short-term challenges and long-term opportunities. I observe that the investment trust sector as a whole has seen widening discounts and selling pressure, but open-ended funds have similarly seen outflows.

UK

TOP 5 WINNERS BY REGION – UK (IN STERLING £M)



The UK remains the largest region, accounting for 40.5% of net assets in spite of our withdrawing over £200m in recent years. The return of -8.04% (Time Weighted Return – TWR) is disappointing relative to the Numis Smaller Companies plus AIM (ex. investment companies) Index total return returning 3.2%, but the return for the AIM Technology index has been considerably worse. In contrast, over 5 years the UK IRR is 45.3% versus the Numis index returning 24.0%, with technology companies having strongly outperformed the more general small-cap index during the coronavirus pandemic, but this trend partially reversing during the most recent year. There have been a small number of companies that have performed badly – notably Zoo Digital, Cirata, S4 Capital, IQE and Spirent. In aggregate they delivered a negative return of £35.2m during the year. However, collectively over the entire period of ownership they have yielded a positive return of £29.4m, reflecting significant profits that have already been realised. Only S4 Capital has delivered a cumulative negative return of £1.1m. Zoo Digital suffered from strikes in Hollywood, Cirata from the unwinding of fake orders, although fortunately sufficient profits had been taken for £1.9m profits to have been realised overall. IQE suffered from mobile phone destocking and share losses, while Spirent suffered from reduced telecom company capital expenditure, particularly in China. However, 84 other UK holdings also yielded a negative return despite underlying trading generally being adequate or better.

On a brighter note, in percentage terms the best performing stocks included a number of takeover approaches including SmartSpace, OnTheMarket, Sopheon and Smoove. Of note is

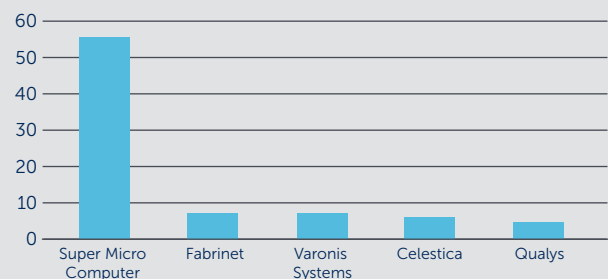
that the premiums to the trading period prior to a bid were frequently in the region of 100%, demonstrating the value that lies in these small companies. Volex has been a marginal beneficiary of the AI boom. Trustpilot has been the only material addition to the portfolio and has contributed usefully.

There is no doubt that the UK public market is in a more fragile state than during any previous downturn in living memory. The question is whether this is cyclical or whether the damage is more structural. The UK public market is currently a fairly difficult environment for entrepreneurs to raise capital and I am saddened by how much management teams have been diluted by fund raisings at distressed levels. I believe that value in our portfolio will be realised through takeovers but that the costs incurred by listed companies in the UK, with the recent added burden of ESG and auditing requirements, has become too high to attract new companies. Similarly, the costs for managing small investments have increased considerably, with additional ESG and regulatory costs. Unfortunately, active investment management does not scale, and it is conspicuous that larger players have withdrawn and funds have shrunk. There are now too few players in the UK to have an efficient market, and too few co-investors. It is a pity because public markets have provided long-term risk capital for the benefit of the wider economy, but the skillset is disappearing rapidly. It seems the UK will inevitably shrink as a percentage of the Company's assets.

We are proud that cumulatively UK listed and AIM companies have delivered gains for the Company of £965.4m from total capital raised of £95m (£65m in 1994 and £30m in 1996), and that capital of £525.9m has been invested through IPOs and follow-on fund raisings, to directly finance small companies.

North America

TOP 5 WINNERS BY REGION – NORTH AMERICA (IN STERLING £M)



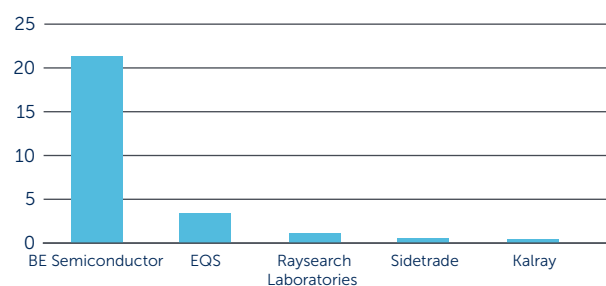
The North American performance has excelled this year with a return of 31.06% (TWR). This compares to a sterling return of 21.0% for the Russell 2000® Technology Index. The star contributor was Super Micro Computer which returned 226.8% in 2023 and has now appreciated 1,935.2% over five years. Furthermore, the £55.5m return this year, and cumulative return of £74.8m, makes it the most profitable stock for the Company throughout history. It builds custom computers sourcing processors for Nvidia, AMD, Intel and others, and has benefitted from booming demand for artificial intelligence. Fabrinet, which is the leading contractor for fibre optic manufacturing has also benefitted from Nvidia demand, and Celestica has also been a strong performer rising 146.8%. Arlo Technologies has returned 156.0% and QuickLogic 154.5%, but they are smaller positions. It is worth noting that there are now 21 North American holdings which have grown to have market values in excess of \$3bn, albeit we continue to

limit buying to below that threshold. These 21 holdings returned £100.9m during the year, which exceeds the return of the whole North American portfolio. In other words the 75 holdings with a market capitalisation below \$3bn delivered an IRR of -9.8%. These figures are of course distorted by the success bias. Nevertheless, the divergence is remarkable.

In a normal stock market cycle, returns should feed through to smaller companies. However, there is a structural change with so much cash flow feeding into index tracking funds leading to demand whatever the valuation. It reinforces our belief that we should focus on stocks below the index tracking momentum size, and benefit from the companies that grow into the radar screen and have the associated revaluation. The other factor is that venture capitalists have been floating companies at a later stage, with much of the growth already achieved, at valuations that seem uninteresting. Many of the IPOs in the 2020-2021 bull market are trading below and often materially below the IPO price and offer more appeal. Now that interest rates have normalised, there may be less capital available privately, and in order to get exits, companies may come to market at more realistic valuations. Furthermore, the later stage private equity houses will have less ability to use creative leveraged structures with tax advantages versus public companies. In 2023, the market has been closed to new issues, which is anomalous when the large technology indices have had a staggeringly good year (58.2% sterling total return on the Russell 1000® Technology Index). The market was knocked by the failure of Silicon Valley Bank, but gradually recovered confidence as the US economy has proved more resilient than many economists feared in the face of rising interest rates.

Europe Middle East and Africa

TOP 5 WINNERS BY REGION – EMEA (IN STERLING £M)

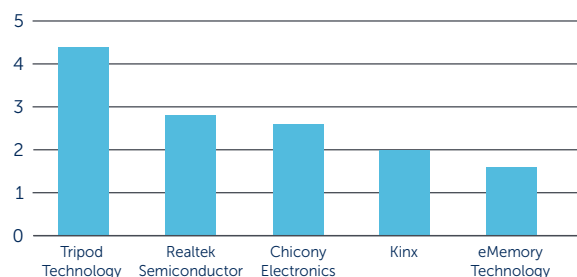


The overall return of 4.64% (TWR) is respectable in a difficult market for companies. However, the performance has been lifted by an outstanding return from the largest holding, BE Semiconductor, of 144.1%. It accounts for 21.6% of the EMEA portfolio at the year end. BE is a manufacturer of semiconductor packaging equipment. Smaller geometries and faster processing speeds have required innovative semiconductor packaging, which BE is continuing to develop. The rest of the portfolio has delivered a return of -11.7%. However, EQS, a listed German company, has risen over 50% following the announcement of an agreed takeover by Thoma Bravo, the US based private equity house. Somewhat surprisingly this takeover will be the fifteenth takeover of one of the Company's holdings by Thoma Bravo. The market value of EQS at the period end was c€400m, with the Company's stake being 2.6% of the outstanding shares. EQS struggled to raise the necessary capital in the public markets, with the Company being one of the few participants in the last funding round, and

it has c€40m debt. In consequence management actively sought a buyer. This demonstrates that lack of capital is a feature across Europe, not just the UK.

Asia

TOP 5 WINNERS BY REGION – ASIA (IN STERLING £M)



Although the Asian return is 14.72% (TWR), markedly better than the UK and Europe, it is a little more disappointing in relative terms. The South Korean return for the year of 36.7% has been good and the Taiwanese return of 47.7% has been even better. However, these sparkling numbers have been offset by poor returns in Australia (-1.5%) and Japan (+1.5%). The latter is also the heaviest weighting, and the weakness of the Japanese Yen has not helped. By sector, technology hardware stocks (Bloomberg defined sector) which account for 36.8% of the Asian portfolio returned 46.8%. In contrast, software and technology services stocks, which account for a similar percentage weighting, returned -3.4%. Media only has an 8.3% weighting and returned -9.5%.

Sector Analysis

Sector Weighting and Performance	31-Dec-22 £m	31-Dec-23 £m	31-Dec-22 % of equity investments	31-Dec-23 % of equity investments	2023 Return*
Software & Technology Services	500.8	463.9	43.7%	40.7%	-2.7%
Technology Hardware & Semiconductors	312.6	336.5	27.2%	29.5%	23.7%
Media	157.3	154.3	13.7%	13.5%	0.2%
Other	176.2	185.2	15.4%	16.3%	
Total equities	1,146.9	1,139.9			
Cash & liquid assets	158.1	105.8			
Total net assets	1,305.0	1,245.8			

*IRR to 31 December 2023.

There has been a conspicuous divergence in performance between sectors. Technology hardware and semiconductors have done well, except in the small exposure in the UK. This sector has benefitted from expectations of an inventory restocking cyclical recovery and the artificial intelligence boom. It is not just hype. There is a conspicuous upturn in demand, and revenue and profits have exceeded expectations and forecasts have been raised in a number of companies in the hardware supply chain. Artificial intelligence in the long run is not about hardware. That is only the enabling technology. The effects of applications are so far less evident. Some investee companies have expressed optimism about efficiencies, particularly related to software development, while others have expressed initial concern about higher costs. For example, Microsoft's Office 365 Copilot AI product has been priced at £28/seat/month. The short-term winner is Microsoft and in due course there may be efficiency benefits. Many companies have already been

INVESTMENT MANAGER'S REPORT CONTINUED

using AI in software products that hardware improvements offer scope to improve further. Many new applications and markets will inevitably be developed which will be a driver for the sector in years to come.

In contrast, software and technology services have had a dull year returning –2.7%. In part, this reflects optimistic valuations, in part greater cost control in terms of licenses, and in part slower decision making on new investments. Unfortunately, this sector has the largest weighting and accounts for 40.7% of the total investment value. It delivered negative returns in every region except North America where the return was 11.6% versus 53.5% from technology hardware and semiconductors.

Media is the third segment, but only accounts for 13.5% of investments. Overall, it had a flat year. There is also a heavy UK bias. Poor performances by S4 Capital and Next15 were largely offset by gains on YouGov and Trustpilot late in the year when people realised the economy was not as adverse as feared.

Economic Background

Maintaining wealth, let alone creating wealth, will be a challenge in a world with so much government debt and in which fiscal deficits will have to be both funded and reduced. Money will be sucked into bond markets and consumers and businesses will be squeezed by higher tax. It seems obvious that good returns may only be achieved through growing markets, and that technology continues to evolve, and that innovation creates new markets offering more potential than other sectors. Entrepreneurial management can exploit these opportunities but need access to capital to do this. Equally growth will occur where people work for \$2/hour and there is evident migration of labour-intensive manufacturing to countries like Indonesia and Vietnam. The outlook for Europe including the UK seems challenging because labour is too expensive for low-cost manufacturing and there is limited availability of capital.

The UK does have an innovative, creative entrepreneurial spirit and had already lost energy intensive industries prior to the Russia/Ukraine disruption of the energy markets, so does not have the headwind faced in other economies. The headwind of rising corporation tax and ESG costs in the UK will now be reflected in profit expectations, and other countries will probably follow with higher taxes. The trouble is that the UK stock market also seems broken, and unlikely to provide capital to emerging businesses, and therefore unlikely to provide the investment opportunities that it has in the past. Nevertheless, having capital in a capital constrained world will present opportunities. There is still world leadership in the media sector and the creative industries, but the semiconductor sector, which was so important in the development of the smartphone, has diminished. Key UK-developed technologies included the processor (Arm), the graphics processor (Imagination), audio (Wolfson) and Bluetooth (CSR). Arm has now gone public again on NASDAQ and Imagination seems to be considering a US IPO in 2024, but the US/China semiconductor politics complicates both the valuations and the prospects. New companies will emerge using artificial intelligence. Necessity may lead to Government policy that is more sympathetic to the wealth generating element of the economy. It seems to have been hostile or at least careless for this century to date.

China has driven growth through infrastructure investment and property. There are now too many empty dwellings and

too much debt for this to provide growth in future. Wages are now too high for low-cost manufacturing, which is another headwind. The bright spot is that China is emerging as the leading electric vehicle manufacturer. This will be particularly challenging for the German automotive industry, which is not just losing an important export market, but facing a new competitor. The important German chemical industry is endangered by higher energy costs, and East German labour costs are no longer cheap. It seems possible that Germany will face the deindustrialisation that the UK experienced in the 1970s and 1980s.

North America has been the engine of growth in 2023, but this has been driven by extraordinary fiscal and trade deficits, and anomalously low fixed rate domestic mortgages. The technology sector has brilliantly scaled businesses and has had cheap capital to do this. The trouble is that salaries are too high for smaller emerging companies, and in the quoted world the reporting of adjusted earnings per share which excludes share based payments is quite deceitful, and unsustainable in valuation terms. San Francisco is troubled economically and socially, and the elevated pay there seems anomalous in a world of remote working. However, the US is leading the way in artificial intelligence, albeit with an Asian supply chain.

Developed Asia including Taiwan, South Korea and Japan has the most vibrant stock markets, and an enviable work ethic. It has to be the area of greater focus for this Company. The overhanging cloud is President Xi's ambitions towards Taiwan.

At the time of writing, the markets have taken the negative effect of conflicts in the Ukraine and Israel lightly. There could be an upside surprise from peace in these regions, but continued and even increased tensions seem more likely. This will drive increased defence spending, and investment in technology led defence solutions, not least in cybersecurity.

UK investors are acutely aware of the challenges faced by the UK economy following the explosion of Government spending and the high debt levels. It seems they are less aware that these challenges are faced in almost all developed countries. I fear they may move money to North America where valuations are high and the widespread use of adjusted earnings per share excluding share-based payments is effectively understating both the costs of running a company and the price/earnings ratio. In the technology sector in particular share-based payments can be material. We are privileged to meet management teams around the world on a daily basis, and aware of the widespread challenges. The greatest concern is that the bond markets will force fiscal discipline, particularly in the United States, which will make global growth challenging. The key is to find strong management teams addressing growth markets to offset these headwinds.

Outlook

I suspect there will be more takeovers in the UK in particular. The US IPO market may open up if there is not an upset like the failure of Silicon Valley Bank in 2023. There are headwinds from corporate debt costs rising, trade tensions with China and elections with difficult choices in several countries. Although the macro environment is uncertain, we retain our belief in the growth prospects for the technology and communications sectors and that we will continue to discover entrepreneurial management teams that merit backing with the Company's capital.

KATIE POTTS
21 February 2024

SECTOR PERFORMANCE (STERLING MILLIONS)

	Market value equity portfolio 31 Dec 2023	% of equity portfolio 31 Dec 2023	Total return equity portfolio 31 Dec 2023	Total return equity portfolio 31 Dec 2022
Software	367.5	32.2	-6.8	-144.2
Technology Hardware	207.2	18.2	56.5	-39.2
Semiconductors	129.3	11.3	13.0	-36.7
Technology Services	96.4	8.5	-6.7	-17.8
Advertising & Marketing	66.5	5.8	-6.7	-42.7
Internet Media & Services	54.9	4.8	8.8	-28.8
Electrical Equipment	34.5	3.0	4.6	-12.4
Telecommunications	31.2	2.8	3.7	-3.7
Publishing & Broadcasting	23.4	2.1	0.8	-15.0
Commercial Support Services	23.2	2.0	1.7	0.3
Other	105.8	9.3	-7.8	-58.8
Total	1,139.9	100.0	61.1	-399.0

Source: BICS (Bloomberg Industry Classification Standard).

CLASSIFICATION OF INVESTMENTS

CLASSIFICATION*	UK %	EMEA %	North America %	Japan & Asia Pacific %	2023 Total %	2022 Total %
COMMUNICATIONS	10.7	1.1	1.8	1.3	14.9	14.0
Advertising & Marketing	5.0	0.2	0.2	–	5.4	5.5
Entertainment Content	0.8	–	–	–	0.8	1.0
Internet, Media & Services	2.1	0.8	0.5	0.9	4.3	3.7
Publishing & Broadcasting	1.7	–	0.2	–	1.9	1.9
Telecommunications	1.1	0.1	0.9	0.4	2.5	1.9
CONSUMER DISCRETIONARY	0.3	–	0.1	0.2	0.6	0.4
Automotive	–	–	–	–	–	0.1
E-Commerce Discretionary	–	–	–	0.2	0.2	0.2
Leisure Facilities & Services	0.1	–	–	–	0.1	–
Retail – Discretionary	0.1	–	–	–	0.1	–
Wholesale – Discretionary	0.1	–	0.1	–	0.2	0.1
ENERGY	0.5	–	0.2	–	0.7	0.6
Oil & Gas Services & Equipment	–	–	0.2	–	0.2	–
Renewable Energy	0.5	–	–	–	0.5	0.6
FINANCIALS	0.9	–	–	0.6	1.5	1.7
Asset Management	0.6	–	–	–	0.6	0.2
Equity Investment Instruments	0.2	–	–	–	0.2	0.7
Speciality Finance	0.1	–	–	0.6	0.7	0.8
HEALTH CARE	0.7	0.4	–	0.1	1.2	1.2
Biotechnology & Pharmaceutical	–	–	–	–	–	0.1
Health Care Facilities & Services	0.2	–	–	–	0.2	0.2
Medical Equipment & Devices	0.5	0.4	–	0.1	1.0	0.9
INDUSTRIALS	5.1	0.3	0.9	0.5	6.8	5.7
Aerospace & Defence	–	–	0.4	–	0.4	0.3
Commercial Support Services	1.4	–	0.4	0.1	1.9	1.2
Electrical Equipment	2.0	0.3	0.1	0.3	2.7	2.0
Industrial Intermediate Production	1.7	–	–	0.1	1.8	2.2
MATERIALS	0.1	–	–	0.2	0.3	0.4
Chemicals	–	–	–	0.2	0.2	0.3
Forestry, Paper & Wood Products	0.1	–	–	–	0.1	0.1
TECHNOLOGY	20.9	10.3	24.4	8.6	64.2	62.2
Semiconductors	1.0	3.9	3.3	2.2	10.4	9.2
Software	11.9	4.2	10.6	2.7	29.4	29.8
Technology Hardware	3.7	0.9	9.9	2.1	16.6	14.7
Technology Services	4.3	1.3	0.6	1.6	7.8	8.5
UTILITIES	1.3	–	–	–	1.3	1.7
Electricity & Gas Marketing & Trading	1.1	–	–	–	1.1	1.4
Gas & Water Utilities	0.2	–	–	–	0.2	0.3
TOTAL EQUITIES (including convertibles and warrants)	40.5	12.1	27.4	11.5	91.5	–
Total equities – 2022 (including convertibles and warrants)	44.1	10.8	21.8	11.2	–	87.9
BONDS	–	–	4.9	–	4.9	5.9
NET LIQUID ASSETS**	1.3	0.2	0.9	1.2	3.6	6.2
TOTAL NET ASSETS	41.8	12.3	33.2	12.7	100.0	–
Total net assets – 2022	49.8	11.3	26.5	12.4	–	100.0
SHAREHOLDERS' FUNDS	41.8	12.3	33.2	12.7	100.0	–
Shareholders' Funds – 2022	49.8	11.3	26.5	12.4	–	100.0
Number of equity investments (including convertibles and warrants)	125	35	79	83	322	345

* Source: Bloomberg Industry Classification Standard.

** Cash, current assets and liabilities.

TOP TWENTY EQUITY HOLDINGS AS AT 31 DECEMBER 2023



£45.7m	VALUATION
3.7%	OF TOTAL ASSETS
0.4%	OF ISSUED SHARE CAPITAL HELD
£4.0m	BOOK COST

Super Micro Computer ('Supermicro') is a leading provider of application-optimised, high-performance server and storage solutions that address a broad range of computational-intensive workloads. With over 20 years of hardware design experience, Supermicro's server Building Block Solutions, coupled with extensive in-house design and manufacturing, enables the Company to rapidly develop, build, and test server and storage systems, subsystems, and accessories with unique configurations. This capability gives customers an unparalleled breadth of choice in dynamic markets, including Edge/5G, data centres, public/private cloud, and artificial intelligence; plus, Supermicro offers world-class software and service.



£32.5m	VALUATION
2.6%	OF TOTAL ASSETS
0.3%	OF ISSUED SHARE CAPITAL HELD
£0.7m	BOOK COST

BE Semiconductor Industries (Besi) is a leading supplier of semiconductor assembly equipment for the global semiconductor and electronics industries offering high levels of accuracy, productivity and reliability at a low cost of ownership. Besi develops leading edge assembly processes and equipment for leadframe, substrate and wafer level packaging applications in a wide range of end-user markets including electronics, mobile internet, computer, automotive, industrial, LED and solar energy. Customers are primarily leading semiconductor manufacturers, assembly subcontractors and electronics and industrial companies.

fabrinet

£24.8m	VALUATION
2.0%	OF TOTAL ASSETS
0.5%	OF ISSUED SHARE CAPITAL HELD
£2.1m	BOOK COST

Fabrinet is a leading provider of advanced optical packaging and precision optical, electro-mechanical, and electronic manufacturing services to original equipment manufacturers of complex products, such as optical communication components, modules and subsystems, industrial lasers and sensors. Fabrinet offers a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, advanced packaging, integration, final assembly and test. Fabrinet focuses on production of high complexity products in any mix and volume. Fabrinet maintains engineering and manufacturing resources and facilities in Thailand, the United States, and the People's Republic of China.

NEXT15

£24.2m	VALUATION
1.9%	OF TOTAL ASSETS
3.0%	OF ISSUED SHARE CAPITAL HELD
£2.4m	BOOK COST

Next15 is a group of businesses designed to help companies grow. Next 15 perceive themselves as more than marketing consultants and as growth consultants. They help their clients in four different ways. Firstly, they use data to generate the insights that help businesses understand the opportunities and challenges they face and arm them with the knowledge they need to make the best decisions. Secondly, they help their customers optimise their brand reputation and build the mission-critical digital assets businesses need to engage with their audiences. Thirdly, they use creativity, data, and analytics to create connections with customers to drive sales and other forms of customer interaction. Finally, Next 15 help customers redesign their business model or create new ventures to maximise the value of their organisation.



£23.9m	VALUATION
1.9%	OF TOTAL ASSETS
1.8%	OF ISSUED SHARE CAPITAL HELD
£2.9m	BOOK COST

YouGov is an international online research data and analytics technology group. Their mission is to supply a continuous stream of accurate data and insight into what the world thinks, so that companies, governments and institutions can make informed decisions. YouGov's innovative solutions help the world's most recognised brands, media owners and agencies to plan, activate and track their marketing activities better. At the core of the platform is an ever-growing source of consumer data that has been amassed over 20 years of operation. All products and services draw upon this detailed understanding of 26 million registered panel members to deliver accurate, actionable consumer insights. With operations in the UK, the Americas, Europe, the Middle East, India and Asia Pacific, YouGov has one of the world's largest research networks.

TOP TWENTY EQUITY HOLDINGS AS AT 31 DECEMBER 2023 CONTINUED

DIPLOMA PLC

£21.5m	VALUATION
1.7%	OF TOTAL ASSETS
0.4%	OF ISSUED SHARE CAPITAL HELD
£0.4m	BOOK COST

Diploma is an international value-add distribution Group, organised across three sectors: Controls, Seals and Life Sciences. Value-add services are delivered alongside products, which include: wire & cable, connectors, fasteners and adhesives; seals, gaskets, hose and fluid power sealing products; surgical and diagnostic equipment, consumables and instrumentation. An entrepreneurial culture and decentralised management structure ensures that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment. Diploma operates in core geographies of North America, Continental Europe, UK and Australia.



£18.7m	VALUATION
1.5%	OF TOTAL ASSETS
6.0%	OF ISSUED SHARE CAPITAL HELD
£4.5m	BOOK COST

Idox is focused on developing specialist software and information management solutions for government, health, engineering, transport and property, across the UK and internationally. The public and asset intensive industries in which Idox operates are characterised by the dual challenge of improving productivity and service standards whilst addressing continued pressure on expenditure. The requirement to drive greater efficiency through digital transformation is therefore driving continuing investment in software in these markets.



£18.6m	VALUATION
1.5%	OF TOTAL ASSETS
3.2%	OF ISSUED SHARE CAPITAL HELD
£7.5m	BOOK COST

Volex is a leading specialist integrated manufacturer of critical power and data transmission products. The company serves a diverse range of markets and customers, with particular expertise in cable assemblies, higher-level assemblies, data centre power and connectivity, electric vehicles and consumer electricals power products. The critical products and services that Volex offers are integral to an increasingly complex digital world, providing power and connectivity from the most common household items to the most complex medical equipment. Volex are headquartered in the UK and operate from 19 manufacturing locations with a global workforce of over 8,000 employees across 22 countries.



£17.2m	VALUATION
1.4%	OF TOTAL ASSETS
1.1%	OF ISSUED SHARE CAPITAL HELD
£1.7m	BOOK COST

Silicon Motion Technology is the global leader in supplying NAND flash memory controllers for solid state storage devices. They supply more SSD controllers than any other company in the world for servers, PCs and other client devices and are the leading merchant supplier of eMMC and UFS embedded storage controllers used in smartphones, IoT devices and other applications. Silicon Motion also supplies customised high-performance hyperscale data centres and specialised industrial and automotive SSD solutions. Customers include most of the NAND flash vendors, storage device module makers and leading OEMs.

DESCARTES™

£16.8m	VALUATION
1.4%	OF TOTAL ASSETS
0.3%	OF ISSUED SHARE CAPITAL HELD
£0.5m	BOOK COST

Descartes Systems ('Descartes') offers networks, applications, global trade content, and collaborative multi-modal logistics communities to improve the productivity, performance, safety and security of logistics and supply chain operations. Customers use Descartes' modular, cloud-based and data content solutions to route, schedule, track, train and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access and analyse global trade data; research and perform trade tariff and duty calculations; file customs and security documents for imports and exports; comply with trade regulations, and complete numerous other logistics processes. Customers can purchase Descartes' solutions either on a subscription, transactional or perpetual license basis. The company serves transportation providers (air, ocean and truck modes), logistics service providers (including third-party logistics providers, freight forwarders, freight brokers, and customs brokers) and manufacturers, retailers, distributors, and business service providers. Descartes' headquarters are in Waterloo, Ontario, Canada and they have offices and partners around the world.



£15.9m	VALUATION
1.3%	OF TOTAL ASSETS
2.5%	OF ISSUED SHARE CAPITAL HELD
£11.3m	BOOK COST

Founded in Denmark in 2007, Trustpilot has since grown to become one of the world's leading consumer review platforms. Trustpilot offers a public platform where consumers can leave reviews for businesses and businesses can respond to honest feedback. The platform is open to all businesses and consumers — yet independent of both — every interaction on Trustpilot is transparent for all to see. Trustpilot business model is to charge recurring software fees to its corporate customers for the use of the platform.



£15.3m	VALUATION
1.2%	OF TOTAL ASSETS
0.4%	OF ISSUED SHARE CAPITAL HELD
£4.5m	BOOK COST

Varonis Systems ('Varonis') is a pioneer in data security and analytics, fighting a different battle than conventional cybersecurity companies. Varonis addresses the challenge that an enterprise's capacity to create and share data far exceeds its capacity to protect it. Since the company's founding, the focus has been on using innovation to address the cyber-implications of securing data, creating software that provides new ways to track, alert and protect data wherever it is stored. Varonis software enables enterprises of all sizes and industries to protect data stored on premises and in the cloud including: sensitive files and emails; confidential personal data belonging to customers, patients and employees; financial records; source code, strategic and product plans; and other intellectual property. Varonis has customers in over 90 countries, including leading firms in the financial services, public, healthcare, industrial, insurance, technology, consumer and retail, energy and utilities, construction and engineering and education sectors, with hundreds of thousands of employees and petabytes of data.



£15.1m	VALUATION
1.2%	OF TOTAL ASSETS
9.8%	OF ISSUED SHARE CAPITAL HELD
£6.4m	BOOK COST

The world's largest online merchants, including Amazon, Google, and Microsoft, use Bango technology to acquire more paying users. Bango has developed unique purchase behaviour technology that enables millions more users to buy the products and services they want, using innovative payment methods, including carrier billing, digital wallets, and subscription bundling. Bango harnesses this purchase activity into valuable marketing segments called Bango Audiences. Merchants use these audiences to target their marketing at paying customers based on their purchase behaviour. Better targeting increases spend through the Bango payments business, in turn generating more data insights, creating a powerful virtuous circle that drives growth.



£13.8m	VALUATION
1.1%	OF TOTAL ASSETS
1.7%	OF ISSUED SHARE CAPITAL HELD
£4.4m	BOOK COST

Esker was founded as a software company in 1985 with a direct and simple vision in mind — to help businesses deliver their paper documents electronically. Today, Esker's strategy is focused on developing and selling a cloud-based software platform for the automation of enterprise back-office processes. These solutions cover both the order-to-cash (from the customer order to invoice collection) and source-to-pay processes (from the selection of suppliers to the payment of invoices). The Company is focused on accelerating organic growth largely through a direct sales force and via partners. Esker has grown into a leading document processing automation solution provider, with more than 1,000 employees in 15 subsidiaries worldwide.



£13.7m	VALUATION
1.1%	OF TOTAL ASSETS
2.0%	OF ISSUED SHARE CAPITAL HELD
£5.4m	BOOK COST

GB Group ('GBG'), was founded in 1989, originally pioneering new ways of delivering address management services. Since then, the offering has grown to cover three core areas of Location, Identity & Fraud, which together create confidence online. The location business ensures addresses and locations can be easily captured, verified and managed. GBG's digital identity verification tools ensure that companies are trading with good customers and can identify the bad actors. Fraud prevention solutions reduce financial risk and ensure compliance with regulations. GBG's future goal is to facilitate online environments where everyone can transact with the complete and unconditional confidence they expect.

TOP TWENTY EQUITY HOLDINGS AS AT 31 DECEMBER 2023 CONTINUED



£13.6m	VALUATION
1.1%	OF TOTAL ASSETS
0.7%	OF ISSUED SHARE CAPITAL HELD
£4.6m	BOOK COST

Nordic Semiconductor is a Norwegian fabless semiconductor company specialising in wireless communication technology that powers the Internet of Things (IoT). Nordic was established in 1983 and has more than 1500 employees across the globe. Nordic's Bluetooth Low Energy solutions pioneered ultra-low power wireless, making them the global market leader. The technology range was later supplemented by ANT+, Thread and Zigbee, and in 2018 they launched low power, compact LTE-M/NB-IoT cellular IoT solutions to extend the penetration of the IoT. The Nordic portfolio was further complemented by Wi-Fi technology in 2021. Nordic's Bluetooth LE solutions are used by the world's leading brands in a variety of products, including wireless PC peripherals, gaming, sports and fitness, mobile phone accessories, consumer electronics, toys, healthcare and automation.

TelecomPlus

£13.1m	VALUATION
1.1%	OF TOTAL ASSETS
1.0%	OF ISSUED SHARE CAPITAL HELD
£3.1m	BOOK COST

Telecom Plus, which owns and operates the Utility Warehouse brand, is the UK's only fully integrated provider of a wide range of competitively priced utility services spanning the energy, broadband, mobile and insurance markets. Utility Warehouse (UW) and currently have 950,000 customers nationwide, the medium-term ambition is to welcome an additional 1 million customers to UW. Customers benefit from the convenience of a single monthly bill, consistently good value across all their utilities and good levels of service. The business relies on word-of-mouth recommendation by existing satisfied customers and partners in order to grow its market share.



£11.5m	VALUATION
0.9%	OF TOTAL ASSETS
0.4%	OF ISSUED SHARE CAPITAL HELD
£1.5m	BOOK COST

Founded in 1983, Pega provides a platform that empowers the world's leading organisations to unlock business-transforming outcomes with real-time optimisation software. Clients use Pega's enterprise AI decisioning and workflow automation to solve pressing business challenges – from personalising engagement to automating service to streamlining operations. Pega has built a scalable and flexible architecture to help enterprises meet customer demands while continuously transforming for tomorrow.



£11.4m	VALUATION
0.9%	OF TOTAL ASSETS
0.2%	OF ISSUED SHARE CAPITAL HELD
£1.9m	BOOK COST

Qualys is a leading provider of disruptive cloud-based security, compliance and IT solutions with more than 10,000 subscription customers worldwide, including a majority of the Forbes Global 100 and Fortune 100. Qualys helps organisations streamline and automate their security and compliance solutions onto a single platform for greater agility, better business outcomes, and substantial cost savings. The Qualys Cloud Platform leverages a single agent to continuously deliver critical security intelligence while enabling enterprises to automate the full spectrum of vulnerability detection, compliance, and protection for IT systems, workloads and web applications across on premises, endpoints, servers, public and private clouds, containers, and mobile devices. Founded in 1999, Qualys has strategic partnerships and seamlessly integrates its vulnerability management capabilities into security offerings from cloud service providers, including Amazon Web Services, the Google Cloud Platform and Microsoft Azure, along with a number of leading managed service providers and global consulting organisations.



£11.3m	VALUATION
0.9%	OF TOTAL ASSETS
1.5%	OF ISSUED SHARE CAPITAL HELD
£3.2m	BOOK COST

discoverIE is an international group of businesses that designs and manufactures customised electronic components for industrial applications. With a focus on key markets driven by structural growth and increasing electronic content, namely renewable energy, medical, transportation and industrial & connectivity, the group aims to achieve organic growth ahead of GDP and to supplement that with targeted complementary acquisitions. discoverIE comprises of over 20 businesses, with 4,600 employees in 20 countries, who help customers around the world create customised and ever better technical solutions.

DETAILED LIST OF INVESTMENTS

AT 31 DECEMBER 2023

Ordinary or common shares unless otherwise stated.

Classification	Name	Value £'000	%
UNITED KINGDOM			
Advertising & Marketing	● Ebiqity	1,862	
	● M&C Saatchi	2,400	
	● Next 15	24,230	
	● S4 Capital	2,182	
	● System1	1,711	
	● The Mission Group	1,213	
	● Time Out	3,328	
	● Tremor	996	
	● XLMedia	260	
	● YouGov	23,872	
		62,054	5.0
Entertainment Content	● Zinc Media	7,126	0.6
Internet, Media & Services	● Dianomi	208	
	● Eagle Eye Solutions	1,344	
	● Future	5,641	
	● Sysgroup	1,137	
	● Ten Lifestyle Group	2,479	
	Trustpilot	15,856	
		26,665	2.1
Publishing & Broadcasting	● Audioboom	2,466	
	● Bloomsbury Publishing	8,802	
	● Centaur Media	4,944	
	● Quarto	2,401	
	● Reach	2,369	
		20,982	1.7
Telecommunications	● Crimson Tide	461	
	● Fonix Mobile	2,722	
	● Gamma Communications	2,179	
	● GlobalData	6,570	
	● Maintel	1,464	
		13,396	1.1
Automotive	● Quartix Technologies	302	
	● Sietta	206	
		508	0.0
Leisure Facilities & Services	● Nexteq	831	0.1
Retail – Discretionary	● FireAngel Safety Technology	567	
	● FireAngel Safety Technology – Warrants	127	
		694	0.1
Wholesale – Discretionary	● Northamber	863	0.1
Renewable Energy	● AFC Energy	683	
	● Invinity Energy Systems	2,940	
	● ITM Power	3,315	
	● Velocys	41	
		6,979	0.5
Asset Management	● Augmentum Fintech	448	
	● HIML Holdings	5,555	
	● Integrafyn	1,239	
	● Sivota	150	
		7,392	0.6
Equity Investment Instruments	● Gore Street Energy Storage Fund	2,040	
	● KRM22	603	
		2,643	0.2
Speciality Finance	● TruFin	1,148	0.1

● denotes AIM stock

● denotes unlisted security

DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2023

Classification	Name	Value £'000	%
UNITED KINGDOM continued			
Biotechnology & Pharmaceutical	● C4X Discovery	539	0.0
Health Care Facilities & Services	● Diaceutics	1,815	
	● Feedback	264	
		2,079	0.2
Medical Equipment & Devices	BATM Advanced Communications	3,692	
	● Creo Medical	675	
	● Deltex Medical	151	
	● Intelligent Ultrasound	1,053	
		5,571	0.5
Commercial Support Services	● Science Group	7,078	
	Wilmington	10,673	
		17,751	1.4
Electrical Equipment	Oxford Instruments	5,164	
	● Synectics	497	
	● Vianet	405	
	● Volex	18,568	
	XP Power	1,353	
		25,987	2.0
Industrial Intermediate Production	Diploma	21,492	1.7
Chemicals	● Haydale Graphene Industries	476	0.0
Forestry, Paper & Wood Products	● Accsys Technologies	1,198	0.1
Semiconductors	● CML Microsystems	3,945	
	● IQE	5,695	
	● Kromek	1,338	
		10,978	0.9
Software	● 1Spatial	1,896	
	● Access Intelligence	4,887	
	● ActiveOps	1,671	
	Aptitude Software	6,883	
	● Bango	15,057	
	● Blackbird	651	
	● Boku	3,945	
	● Celoxica	2,609	
	● Checkit	2,239	
	● Corero Network Security	3,575	
	● Craneware	9,357	
	● Dillistone	212	
	● Dotdigital	7,679	
	● Eckoh	6,099	
	● Essensys	481	
	● GB Group	13,727	
	● GetBusy	1,931	
	Gresham Technologies	4,969	
	● Idox	18,748	
	● i-nexus Global	81	
	● Intercede	2,994	
	● IQGeo	8,386	
	● itim	383	
	● Light Science Technologies	437	
	● LoopUp	152	
	● Microlise	1,088	
	NCC	4,583	
● Oxford Metrics	8,574		
● SmartSpace Software	1,457		

● denotes AIM stock

● denotes unlisted security

Classification	Name	Value £'000	%
UNITED KINGDOM continued	● Sopheon	1,001	
	● Spectra Systems	3,935	
	● Woodward	952	
	● ZOO Digital	6,293	
		146,932	11.8
Technology Hardware	● Calnex Solutions	1,163	
	● Concurrent Technologies	847	
	● CyanConnode	1,676	
	discoverIE	11,344	
	● Filtronic	1,030	
	● Focusrite	1,067	
	Global Invacom	215	
	● Gooch & Housego	1,153	
	● Ilika	2,740	
	● MTI Wireless Edge	1,472	
	● SDI	4,286	
	● Seeing Machines	10,562	
	● Solid State	1,061	
	Spirent Communications	4,932	
● Thruvision	2,759		
	46,307	3.7	
Technology Services	Bytes Technology	2,629	
	● Celebrus Technologies	6,826	
	● Cerillion	4,856	
	● Cohort	7,331	
	Computacenter	4,733	
	● FD Technologies	3,301	
	FDM	1,642	
	Kainos	5,908	
	● Netcall	1,903	
	● PCI-PAL	2,180	
	● Team Internet	9,286	
	● Tribal	2,309	
	52,904	4.3	
Electricity & Gas Marketing & Trading	Telecom Plus	13,146	1.1
Gas & Water Utilities	● Water Intelligence	2,570	0.2
	TOTAL UNITED KINGDOM EQUITIES	499,211	40.1
EUROPE, MIDDLE EAST AND AFRICA (EMEA)			
Advertising & Marketing	Growens	2,030	0.2
Internet, Media & Services	EQS	8,869	
	North Media	1,355	
		10,224	0.8
Telecommunications	Intred	1,384	0.1
Medical Equipment & Devices	LUMIBIRD	4,619	0.4
Electrical Equipment	Airthings	796	
	Detection Technology	2,382	
		3,178	0.3
Semiconductors	BE Semiconductor Industries	32,499	
	Kalray	2,884	
	Nordic Semiconductor	13,620	
		49,003	3.9

DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2023

Classification	Name	Value £'000	%
EUROPE, MIDDLE EAST AND AFRICA (EMEA)	continued		
Software	Atea	1,995	
	Efecte	2,037	
	Enea	1,101	
	Esker	13,754	
	Exasol	1,629	
	Invision	259	
	Median Technologies	2,150	
	Nexus	6,028	
	NFON	1,220	
	Nordhealth	2,605	
	RaySearch Laboratories	4,210	
	Sidetrade	7,693	
	Upsales Technology	2,853	
	Volue	2,409	
	WALLIX	2,518	
		52,461	4.2
Technology Hardware	Adtran	2,303	
	ATEME	1,851	
	Ekinops	4,159	
	Napatech	1,563	
	SES-imagotag	1,764	
		11,640	0.9
Technology Services	Adesso	4,625	
	B3 Consulting	2,726	
	Datalex	1,995	
	OVH	745	
	Sword Group	5,719	
		15,810	1.3
	TOTAL EMEA EQUITIES	150,349	12.1
NORTH AMERICA			
Advertising & Marketing	Inuvo	2,032	0.2
Internet, Media & Services	HealthStream	3,711	
	Yelp	2,971	
		6,682	0.5
Publishing & Broadcasting	Thryv	2,137	0.2
Telecommunications	Cogent Communications	9,248	
	Ooma	2,186	
		11,434	0.9
Wholesale – Discretionary	Climb Global Solutions	1,505	0.1
Oil & Gas Services & Equipment	Pason	1,901	0.2
Aerospace & Defence	Leonardo DRS	5,503	0.4
Commercial Support Services	First Advantage	2,925	
	FranklinCovey	1,709	
		4,634	0.4
Electrical Equipment	nLIGHT	1,058	
	Tecogen	204	
		1,262	0.1
Semiconductors	Arteris	1,096	
	CEVA	5,773	
	Chipmos Technologies*	1,645	
	FormFactor	2,454	
	Intellicheck	1,341	

* American Depositary Receipts – certificates representing shares in the stock, issued by a US bank, denominated and paying dividends in US dollars.

• denotes unlisted security.

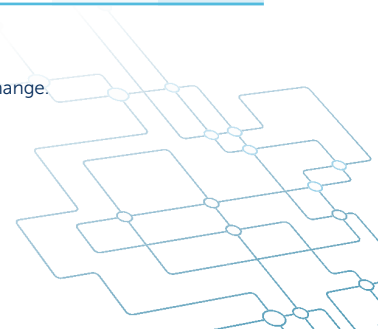
Classification	Name	Value £'000	%
NORTH AMERICA continued	Power Integrations	2,448	
	QuickLogic	4,406	
	Silicon Motion Technology*	17,162	
	Tower Semiconductor	2,945	
	Valens Semiconductor	1,920	
		41,190	3.3
Software	Alkami Technology	2,854	
	American Software	3,058	
	AvePoint	2,737	
	AvidXchange	2,237	
	Aware	560	
	Bandwidth	2,041	
	Brightcove	860	
	Cognyte Software	757	
	Couchbase	2,650	
	CyberArk Software	7,046	
	D2L	912	
	Descartes Systems	16,799	
	Digital Turbine	1,076	
	EngageSmart	3,593	
	FalconStor Software	184	
	Five9	2,469	
	Genasys	1,194	
	Issuer Direct	1,229	
	Jamf	1,771	
	JFrog	5,159	
	Kinaxis	3,163	
	Kneat	808	
	LivePerson	1,266	
	N-able	3,119	
	OneSpan	1,682	
	Pegasystems	11,533	
	Qualys	11,395	
	Radware	10,469	
	SecureWorks	1,406	
	SPS Commerce	10,264	
	Streamline Health	323	
	Varonis Systems	15,265	
	Vertex	2,536	
		132,415	10.6
Technology Hardware	Akoustis Technologies	855	
	Arlo Technologies	6,819	
	Aviat Networks	3,203	
	Blackline Safety	2,207	
	CalAmp	59	
	Celestica	10,337	
	EMCORE	753	
	Everspin Technologies	1,950	
	Fabrinet	24,760	
	Harmonic	6,650	
	Lantronix	3,908	
	One Stop Systems	1,032	
	Quantum	271	
	RADCOM	1,311	
	Ribbon Communications	3,221	
	● Ribbon Communications-Series A Preferred Stock	1,522	
	Silicom	1,769	
	Super Micro Computer	45,715	
	ViaSat	2,190	
Vicor	4,936		
		123,468	9.9

DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2023

Classification	Name	Value £'000	%
NORTH AMERICA continued			
Technology Services	CI&T	1,451	
	High Wire Networks	847	
	Rimini Street	2,181	
	TTEC	2,380	
		6,859	0.6
	TOTAL NORTH AMERICA EQUITIES	341,022	27.4
ASIA PACIFIC			
Advertising & Marketing	Pureprofile	388	0.0
Internet, Media & Services	ADDCN Technology	473	
	Bengo4.com	969	
	CrowdWorks	771	
	Gabia	2,324	
	giftee	1,819	
	GMO Internet	1,711	
	Praemium	1,300	
	Proto	1,663	
	RMA Global	328	
		11,358	0.9
Publishing & Broadcasting	Hong Kong Economic Times	237	0.0
Telecommunications	Accrete	292	
	Kinx	4,723	
		5,015	0.4
E-Commerce Discretionary	Momo.com	1,915	0.2
Retail - Consumer Staples	Articore	385	0.0
Speciality Finance	Money Forward	7,678	0.6
Medical Equipment & Devices	Compumedics	314	
	JEOL	516	
		830	0.1
Commercial Support Services	Freelancer	451	
	Plus Alpha Consulting	346	
		797	0.1
Electrical Equipment	Catapult	3,811	
	Chroma ATE	304	
		4,115	0.3
Industrial Intermediate Production	Elite Material	712	0.1
Chemicals	Soulbrain	2,939	0.2
Semiconductors	Andes Technology	1,963	
	eMemory Technology	3,031	
	Eugene Technology	736	
	Kulicke & Soffa Industries	8,146	
	Phison Electronics	1,329	
	PSK	2,323	
	Realtek Semiconductor	6,555	
	Santec	567	
	Tokyo Seimitsu	1,239	
	Wonik IPS	1,241	
		27,130	2.2

** H Shares – issued by companies incorporated in the People's Republic of China and listed on the Hong Kong Stock Exchange.



Classification	Name	Value £'000	%
ASIA PACIFIC continued			
Software	Audinate	525	
	Beamtree	787	
	Bigtincan	1,027	
	Chanjet Information Technology**	790	
	CRESCO	957	
	Fasoo	1,536	
	Genians	872	
	GMO GlobalSign	908	
	HENNGE K.K.	1,052	
	Kaonavi	1,690	
	Kingdee International Software	3,866	
	OBIC Business Consultants	2,005	
	ORO	1,217	
	PCA	404	
	PKSHA Technology	938	
	Property Data Bank	917	
	Qoria	474	
	Sansan	1,066	
	SpiderPlus	656	
	Symbio	1,905	
	TeamSpirit	715	
	TerraSky	2,244	
	User Local	225	
	WantedLab	614	
	Whispir	980	
	WiseTech Global	3,013	
	Xref	970	
	Yappli	111	
	Zuken	1,904	
		34,368	2.7
Technology Hardware	Advantech	2,401	
	Chicony Electronics	5,014	
	Chunghwa Precision Test Technology	245	
	E Ink	4,572	
	Lanner Electronics	4,237	
	Parade Technologies	2,301	
	SOLUM	1,081	
	Tripod Technology	5,982	
		25,833	2.1
Technology Services	Ansarada	4,287	
	Chief Telecom	1,043	
	Cyber Security Cloud	1,916	
	Cybertrust Japan	1,441	
	EML Payments	296	
	Green World FinTech Service	1,077	
	Infomart	3,036	
	Net Protections	284	
	Plaid	526	
	RAKUS	1,317	
	Senetas	939	
	WingArc1st	4,158	
		20,320	1.6
	TOTAL ASIA PACIFIC EQUITIES	144,020	11.5



DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2023

Classification	Name	Value £'000	%
LOAN STOCKS HAVING AN ELEMENT OF EQUITY RISK			
	● High Wire Networks – USD Convertible 18% Loan 25 Jan 2025	549	
	● i-nexus Global – Convertible 8% 29 Sep 2024	400	
	● i-nexus Global – Convertible 8% 07 Jul 2025	336	
	● i-nexus Global – Convertible 8% 04 Nov 2025	600	
	● Kromek – Convertible 8% 22 Feb 2024	1,000	
	● Zinc Media – 8% Loan 31 Dec 2024	958	
	● Zinc Media – Libor+4 Rate Bank Loan 31 Dec 2024	1,052	
	● Zinc Media – Variable Rate Loan 31 Dec 2024	377	
	TOTAL LOAN STOCKS HAVING AN ELEMENT OF EQUITY RISK	5,272	0.4
Total Equity Investments		1,139,874	91.5
Fixed Interest	US Treasury Stock – 2.25% 31 Jan 2024	23,477	
	US Treasury Stock – 2.5% 31 Jan 2024	7,827	
	US Treasury Stock – 3% 31 Jul 2024	29,461	
	TOTAL FIXED INTEREST	60,765	4.9
Total Investments		1,200,639	96.4
Net Liquid Assets+		45,118	3.6
Total Assets At Market Value		1,245,757	100.0

● denotes unlisted security

+ Cash, current assets and liabilities

LONG-TERM PERFORMANCE

Continued steady growth

The Company, founded in 1994 by Katie Potts, raised an initial £65m to invest in the UK and continental European TMT sector. Warrants were issued to initial investors on a 1 for 5 basis. In 1996 a further £30m was raised to globalise the fund, thus bringing the total outside capital to £95m. Since 1996 no new capital has been raised, and the warrants have been repurchased or converted into ordinary shares.

The Company has operated an opportunistic buyback policy, which has helped create value for shareholders. Since inception, the Company has completed buybacks to the value of £344m which significantly exceeds the outside capital raised by the Company. Over the history of the fund, net asset value per share on a total return basis has grown by 2,315.3% or 11.2% on an annualised basis.

TOTAL RETURN SINCE INCEPTION

+2,315.3%

ANNUALISED TOTAL RETURN SINCE INCEPTION

+11.2%

CAPITAL SINCE INCEPTION

	At 31 December	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Number of shares in issue '000	Diluted net asset value per share ^{*A} p	Share price p	(Discount)/premium ^A %
≠ Inception		64,107	–	64,107	65,000	98.70	90.90 ^o	(7.9)
1994		60,823	–	60,823	65,000	93.57	94.60	1.1
±1995		89,689	–	89,689	65,000	132.36 [†]	127.00	(4.0)
1996		130,055	–	130,055	82,894	150.88 [†]	136.00	(9.9)
1997		147,424	–	147,424	82,896	171.80	136.15	(20.8)
1998		170,982	–	170,982	82,901	201.70	161.50	(19.9)
1999		432,620	(3,343)	429,277	82,961	494.22	511.10	3.4
2000		378,607	(3,233)	375,374	83,874	431.43	491.00	13.8
2001		275,624	(2,892)	272,732	84,454	314.53	306.00	(2.7)
2002		199,900	(22,310)	177,590	84,475	206.68	177.00	(14.4)
2003		350,209	(29,325)	320,884	87,807	365.44	325.25	(11.0)
#2004		356,874	(24,663)	332,211	87,556	379.43	322.75	(14.9)
2005		358,293	–	358,293	87,556	409.22	379.75	(7.2)
2006		401,228	(20,000)	381,228	87,556	435.41	383.50	(11.9)
2007		343,497	–	343,497	86,971	394.96	312.00	(21.0)
2008		275,789	(65,079) [‡]	210,710	83,408	252.63	184.00	(27.2)
2009		397,194	(56,298) [‡]	340,896	81,053	420.58	337.75	(19.7)
2010		533,499	(58,937) [‡]	474,562	79,913	593.85	483.00	(18.7)
2011		519,656	(70,357) [‡]	449,299	79,698	563.75	455.00	(19.3)
2012		572,243	(70,297) [‡]	501,946	79,323	632.78	513.00	(18.9)
2013		662,538	(38,935) [‡]	623,603	77,680	802.79	685.00	(14.7)
2014		667,450	(38,534) [‡]	628,917	77,340	813.19	659.00	(19.0)
2015		709,139	(38,002) [‡]	671,137	76,112	881.78	745.25	(15.5)
2016		816,414	(25,000)	791,414	73,062	1,083.21	882.50	(18.5)
2017		966,650	–	966,650	70,308	1,374.88	1,171.00	(14.8)
2018		901,154	–	901,154	68,902	1,307.89	1,075.00	(17.8)
2019		1,122,849	–	1,122,849	67,312	1,668.13	1,480.00	(11.3)
2020		1,503,367	–	1,503,367	65,783	2,285.33	2,245.00	(1.8)
2021		1,760,877	–	1,760,877	64,754	2,719.33	2,505.00	(7.9)
2022		1,305,048	–	1,305,048	62,173	2,099.05	1,782.00	(15.1)
2023		1,245,757	–	1,245,757	56,135	2,219.23	1,922.00	(13.4)

* The diluted net asset value per ordinary share figures have been calculated in accordance with FRS102 (2015–2018), FRS22 (2008–2014), FRS14 (1995–2007).

A Alternative Performance Measure – see page 84.

≠ Inception date 16 February 1994, 100p was shareholders' subscription price before launch costs of 1.3p.

◇ 90.9p is the capital gains tax (CGT) base subscription price for shareholders adjusting for warrants which were issued on a 1 for 5 basis. The CGT base for the warrant is 45.5p.

± Restated for change in accounting policy to account for income on an ex-dividend basis.

‡ The diluted net asset values at 31 December 1995 and 1996 have been restated with the adoption of FRS 14. The previously reported fully diluted net asset values were 131.65p and 149.45p respectively.

The figures prior to 2004 have not been restated for the changes in accounting policies implemented in 2005.

‡ Includes derivative financial instruments.

LONG-TERM PERFORMANCE CONTINUED

NET LIQUID ASSETS AND FIXED INTEREST AS PERCENT OF NAV
31 DECEMBER 2023

8.5%

5 YEAR COMPOUND ANNUAL GROWTH IN NAV PER SHARE

11.2%

10 YEAR COMPOUND ANNUAL GROWTH IN NAV PER SHARE

10.7%

REVENUE

At 31 December	Income £'000	Available for ordinary shareholders £'000	Earnings per ordinary share net [†] p	Dividend per ordinary share net p	Ongoing charges [‡] %	Net gearing/ cash [‡]	Gross gearing [‡]
2013	8,987	(307)	(0.39)	–	1.04	100	106
2014	8,245	(1,464)	(1.89)	–	1.07	101	106
2015	9,136	(36)	(0.05)	–	1.08	95	106
2016	9,541	430	0.58	–	1.09	92	103
2017	10,799	486	0.68	–	1.08	93	100
2018	11,250	58	0.08	–	1.07	87	100
2019	11,735	31	6.79	–	1.09	88	100
2020	9,361	(3,997)	(6.00)	–	1.08	92	100
2021	12,253	(5,417)	(8.33)	–	1.02	93	100
2022	15,326	135	0.21	–	1.05	88	100
2023	17,926	4,026	6.79	–	1.07	92	100

[†] The calculation of earnings per ordinary share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 8, page 71).

[‡] Alternative Performance Measure - see page 84.

CUMULATIVE PERFORMANCE (TAKING 2013 AS 100) (CAPITAL ONLY)

At 31 December	Diluted net asset value per share	Share price p	Numis Smaller Cos plus AIM Index	Russell 2000® Technology Index	Retail price index
2013	100	100	100	100	100
2014	101	96	93	114	102
2015	110	109	98	121	103
2016	135	129	107	182	105
2017	171	171	127	195	110
2018	163	157	104	205	113
2019	208	216	124	265	115
2020	285	328	128	365	117
2021	339	366	151	421	125
2022	261	260	114	300	142
2023	276	281	114	363	150

COMPOUND ANNUAL RETURNS (CAPITAL ONLY)

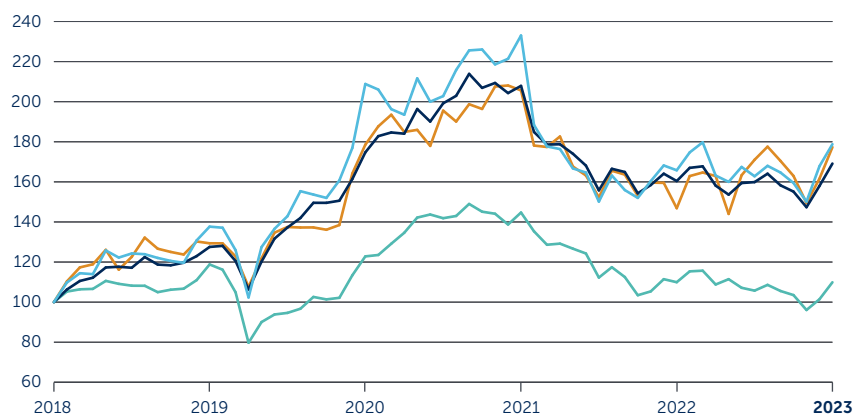
At 31 December	Diluted net asset value per share	Share price p	Numis Smaller Cos plus AIM Index	Russell 2000® Technology Index	Retail price index
5 year	11.2%	12.3%	1.9%	12.1%	5.8%
10 year	10.7%	10.9%	1.3%	13.8%	4.1%

Past performance is not a reliable indicator to future performance.

FIVE YEAR RETURNS (CAPITAL ONLY)

(FIGURES HAVE BEEN REBASED TO 100 AT 31 DECEMBER 2018)

— Fully diluted NAV
— Share price
— Numis Smaller Companies plus AIM (ex. investment companies) Index
— Russell 2000® Technology Index (small cap) (in sterling terms)

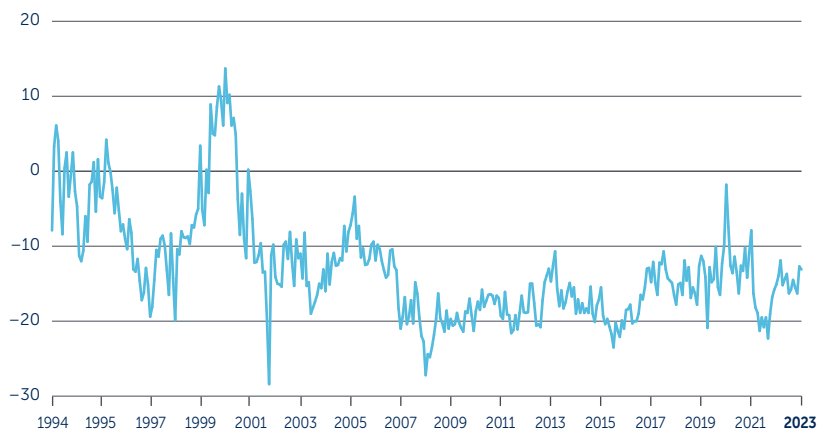


Source: LSEG Data & Analytics.

DISCOUNT TO NAV
31 DECEMBER 2023

13.4%

PREMIUM/(DISCOUNT) TO FULLY DILUTED NET ASSET VALUE (PLOTTED ON A MONTHLY BASIS)



Source: LSEG Data & Analytics.

CAPITAL RETURN SINCE INCEPTION

	31 December 2023	Inception 16 February 1994	% change
Net asset value per ordinary share (including current year revenue) ^A	2,219.23p	98.70p	2,148.46
Net asset value per ordinary share (excluding current year revenue) ^A	2,212.06p	98.70p	2,141.20
Share price	1,922.00p	90.90p	2,014.41
Numis Smaller Companies plus AIM (ex. investment companies) Index	5,404.69	1,750.00	208.84
Russell 2000® Technology Index (small cap) (in sterling terms) [†]	4,605.25	688.70*	568.69

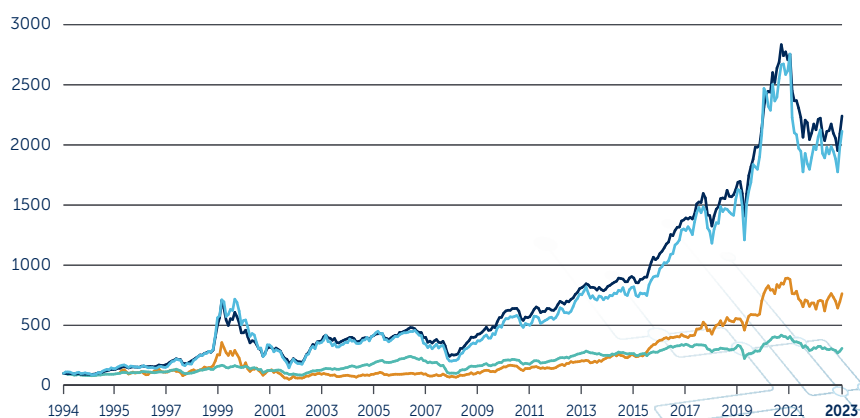
A Alternative Performance Measure (APM). See Glossary of Terms and Alternative Performance Measures on pages 84 and 85 of the financial report for details of the explanation and reconciliations of APMs.

* At 9 April 1996 being the date funds were first available for international investment.

† The Russell 2000® Technology Index (small cap) was rebased during 2009 following some minor adjustments to its constituents. The rebased index is used from 31 December 2008 onwards.

CAPITAL RETURNS SINCE INCEPTION (FIGURES HAVE BEEN REBASED TO 100 AT 16 FEBRUARY 1994)

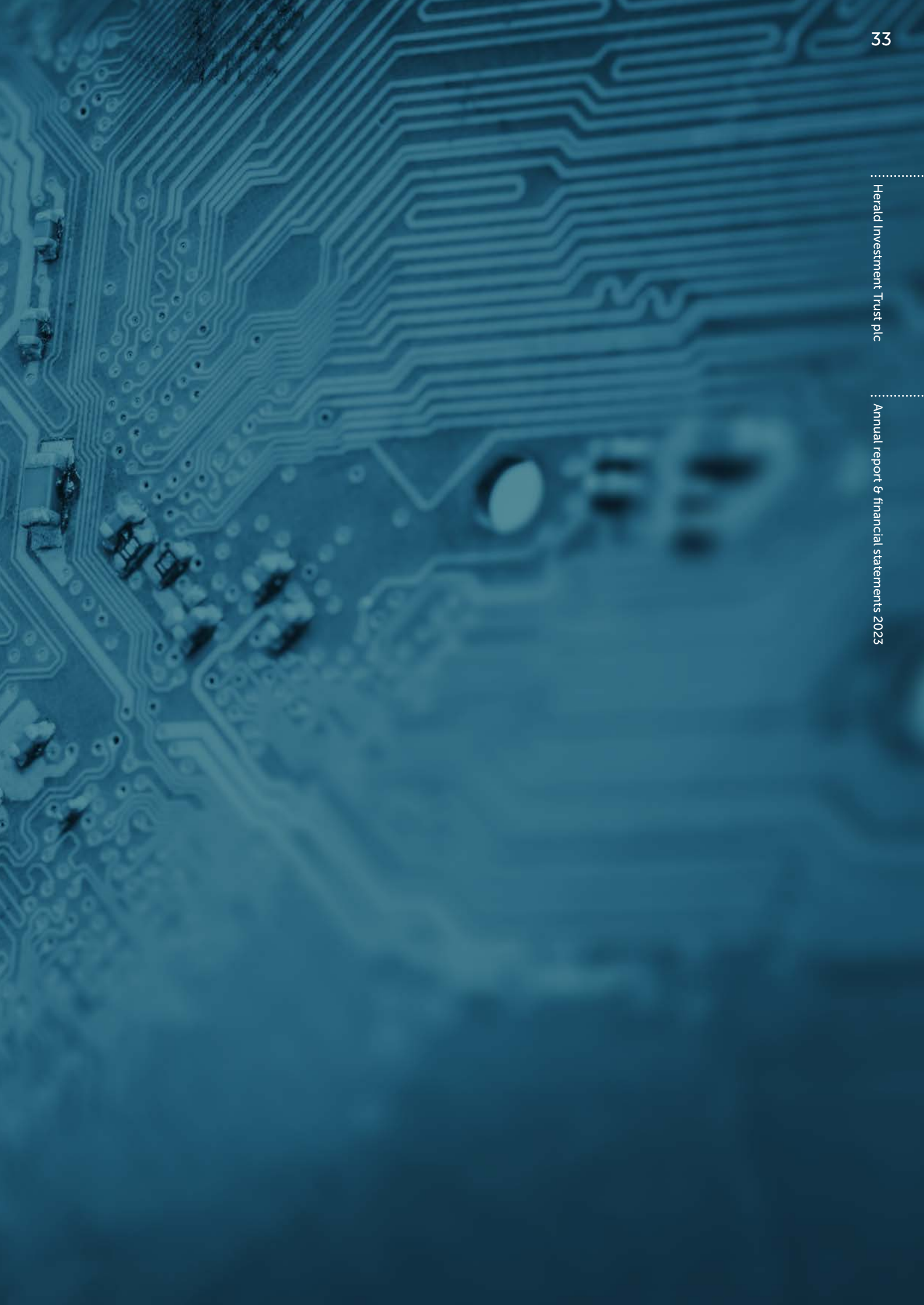
— Fully diluted NAV
— Share price
— Numis Smaller Companies plus AIM (ex. investment companies) Index
— Russell 2000® Technology Index (small cap) (in sterling terms)



Source: LSEG Data & Analytics.

Governance

34	Strategic Report
42	Your Board of Directors
43	Corporate Governance Report
47	Audit Committee Report
49	Directors' Report
51	Directors' Remuneration Report
54	Statement of Directors' Responsibilities
55	Independent Auditors' Report



STRATEGIC REPORT

STATUS

The Company is an investment company within the meaning of s833 of the Companies Act 2006 and operates as an investment trust in accordance with s1158 of the Corporation Tax Act 2010 as amended ('s1158'). The Company is subject to the Listing Rules of the Financial Conduct Authority and governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution. The Company obtained approval from HM Revenue and Customs of its status as an investment trust under s1158 and the directors are of the opinion that the Company has and continues to conduct its affairs in compliance with s1158 since this approval was granted.

BUSINESS MODEL

The Company has appointed Herald Investment Management Limited ('HIML') as the Alternative Investment Fund Manager to provide all portfolio management and risk management services. HIML is authorised and regulated by the Financial Conduct Authority both for investment management and as an Alternative Investment Fund Manager (see the Directors' Report, page 50).

Administration of the Company and its investments has been delegated by HIML to the Bank of New York Mellon (International) Limited ('BNYMIL') and company secretarial duties have been delegated to Apex Listed Companies Services (UK) Limited ('Apex').

BNYMIL is the depositary under a tripartite agreement between HIML, the Company and BNYMIL. The depositary is also responsible for custody activities.

OBJECTIVE

The Company's objective is described on the inside front cover.

INVESTMENT POLICY – STRATEGY

While the policy is global investment in smaller quoted companies in TMT, the approach is to construct a diversified portfolio through the identification of individual companies which offer long-term growth potential, typically over a five-year horizon or more. The portfolio is actively managed and does not seek to track any comparative index. With a remit to invest in smaller companies with market capitalisation generally below \$3bn at the point of purchase, there tends to be a correlation with the performance of smaller companies, as well as that of the technology sector. A degree of volatility relative to the overall market should be expected.

The risk associated with the illiquidity of smaller companies is reduced by generally restricting the stake in any one company to less than 10% of the shares in issue.

A number of investments are in early-stage companies, which have a higher stock specific risk but the potential for above average growth. Stock specific risk is reduced by having a diversified portfolio.

In addition, to contain the risk of any one holding, the Manager generally takes profits when a holding reaches more than 5% of the portfolio. The Manager actively manages the exposure within the constraint that illiquid positions cannot be traded for short-term movements.

The Company has a policy not to invest more than 15% of gross assets in other UK-listed investment companies.

From time to time, fixed interest holdings, non-equity or unlisted investments may be held on an opportunistic basis.

The Company recognises the long-term advantages of gearing and has a maximum gearing limit of 50% of net assets. Borrowings are invested primarily in equity markets but the Manager is permitted to invest in other securities in the companies in the target areas when it is considered that the investment grounds merit the Company taking a geared position. The board's intention is to gear the portfolio when appropriate. Gearing levels are monitored closely by the Manager and reviewed by directors at each board meeting.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risk).

A detailed analysis of the Company's investment portfolio is set out on pages 21 to 28 and in the Investment Manager's Report.

KEY PERFORMANCE INDICATORS ('KPIs')

At each board meeting, the directors consider a number of performance measures to assess the Company's success in achieving its objectives.

The KPIs used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share compared to the comparative indices;
- the movement in the share price;
- the discount; and
- the ongoing charges.

A historical record of these measures is shown on pages 29 to 31.

The Company makes reference in this annual report and financial statements to a number of alternative performance measures, as described on pages 84 and 85.

SHARE CAPITAL

At 31 December 2023 the Company's capital structure consisted of 56,134,670 ordinary shares of 25p each (2022 – 62,173,223 ordinary shares). During the year 6,038,553 (2022 – 2,580,889) shares were bought back and cancelled. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares. On a winding up, after meeting the liabilities of the Company, the surplus assets would be paid to ordinary shareholders in proportion to their shareholdings. Since year end and up to 21 February 2024, 834,861 shares have been bought-back for cancellation at an average price of 1966.54 pence per share (excluding costs).

DERIVATIVE INSTRUMENTS

The Company does not currently have any exposure to derivative instruments.

BORROWINGS

The Company is not currently geared and does not have any form of credit facility but holds significant cash. The requirement for a credit facility is kept under regular review, taking into account the levels of cash held by the Company, and cost, general market conditions and the Manager's view of its potential use of any such facility.

REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

A review of the year and the investment outlook is contained in the Chairman's Statement and the Manager's Report on pages 8 to 15.

PRINCIPAL RISKS AND UNCERTAINTIES

The audit committee, on behalf of the board, regularly undertakes a robust assessment of the principal, including emerging, risks facing the Company. These include those that would threaten its business model, future performance, solvency or liquidity (see Corporate Governance Report on pages 43 to 46 and the Audit Committee Report on pages 47 and 48). Principal risks are also considered as part of the board's annual strategy meeting. The principal risks that follow are those identified by the board after taking account of mitigating factors.

All risks are documented on a risk register and are grouped into six main categories: strategic risk; market, economic and geopolitical risk; investment management risk; operational risk; emerging/external risk; and regulatory risk. Risks are rated by impact and likelihood of occurrence, with the ratings charted on two risk matrices: a pre-mitigation and a post-mitigation one. Mitigation takes into account processes, procedures and internal controls, and the post-mitigation matrix is used to identify the Company's principal risks. The risk register is reviewed on an ongoing basis, in an attempt to capture all risks and ensure appropriate mitigation is in place, and to enable directors to concentrate on principal risks whilst ensuring all risks are considered.

As part of the risk review, the board considered the challenging global economic and geopolitical environment including: the continuing effects of the Russia/Ukraine war, the Gaza/Israel conflict and the tensions between China/Taiwan and China/USA, with attendant global supply chain issues; and the risks from climate change. Inflation and interest rates were also discussed.

The top risks identified by this process (which correlate to the principal risks of the Company) are set out below.

Risk trend from previous year: ⇔ Risk level unchanged
 ↓ Less risk
 ↑ Heightened risk

Strategic Risk ⇔

Company risk as an investor in smaller companies ⇔

There is a risk that public markets become unattractive to investee companies due to a number of factors including burdensome regulations and taxation and this could result in a smaller investible universe and orphan portfolio stocks. The board and the Manager engage with external bodies in the UK to influence government and regulatory policy to support quoted smaller companies. The portfolio is globally diversified and also the Manager has the ability to move capital to more favourable markets.

The Company's objective and strategy are not attractive to investors ↑

A failure to adapt to changes in the market and investor demand could leave the Company exposed to the risk of shareholder dissatisfaction, activism and influence. There is a risk to shareholders that they will not be able to sell their shares at a price close to the underlying NAV. Over the course of the Company's history, the shares have traded at a discount to underlying NAV and this discount changes with market conditions.

The board regularly reviews performance of the Company against relevant indices and peers and annually reviews the Company's investment management arrangements. The Company has in place an active buyback policy, which is monitored by the board, whereby the Manager has authority to arrange buybacks of shares within the limits approved at the AGM each year. The board, the broker and the Manager engage regularly with shareholders to understand their views on key topics including discount volatility and shareholder views are discussed at each board and strategy meetings. The board regularly monitors the market for changes in sentiment. Shareholders are given the opportunity to vote on the Company's continuation every three years at the AGM and to raise questions of the board and the Manager at the AGM.

Market, Economic and Geopolitical Risks ⇔

Market risk including but not limited to liquidity, price, valuation, TMT, small cap risks ⇔

The Company's assets consist mainly of listed securities and the success of the Company's business model is therefore market-related and bear market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks – which have been subject to robust assessment by the directors – and how they are managed is contained in note 17 to the financial statements on pages 74 to 79, and a description of the internal controls operated by the Company is on pages 45 and 46. As a specialist investor in TMT and small cap stocks, the Company is exposed to more volatile share price movements than those of the general market and, on occasion, it may be difficult for the Manager to achieve sales of investments at market prices. The board's assessment of risk remained unchanged from the previous year due to the continuing uncertainty and volatility in the markets.

Economic risk ⇔

Interest rates, exchange rates, inflation, recession, taxes and changes in supply and demand can all pose a threat to the future of portfolio companies. The risk rating is unchanged from last year, reflecting the continuing impact of higher inflation, interest rates and costs, and probable recession in 2024 in one or more countries in which the investee companies operate.

Geopolitical risk ⇔

Political developments can create risks to the value of the Company's assets. For example, the Russian-Ukraine war has caused a rise in energy prices and decreased food production; US-China-Taiwan trade tensions could disrupt technology supply lines; the Gaza/Israel conflict raises the possibility of a more serious conflict in the Middle East; and the change in UK Government policy on Net Zero.

The Manager considers the above three risks on an ongoing basis and reports on a regular basis to the board, including reporting on the composition and diversification of the portfolio by geography, sectors and capitalisation along with sales and purchases of investments. Individual investments are discussed with the Manager together with the investment team's general views on the various investment markets and sectors. The board recognises that the potential for mitigation is likely to be limited other than through diversification. The risk rating remains consistent with last year, being at a heightened level from that of more 'normal' times.

STRATEGIC REPORT CONTINUED

Investment Management Risk ⇄**Liquidity risk** ⇄

There is a risk that the Manager is unable to realise profits on significant positions in the portfolio and to redeploy them in sufficient sizes to new positions. The Company may also invest in unquoted securities which generally have greater valuation uncertainties and liquidity risks than securities listed or traded on a regulated market. The board receives regular reports from the Manager, which is experienced in stock selection. Investment risk is spread by having a diversified portfolio of over 300 holdings. The holding in any one company is generally restricted to less than 10% of the portfolio company's shares in issue and the Manager would usually start taking profits when a holding reaches 5% of the portfolio. The risk rating remains consistent with last year to reflect the deteriorating liquidity in certain markets for some stocks, albeit the Company's closed end nature reduces the risk of a forced disposal of illiquid investments.

Key person dependency ⇄

There is a risk the lead investment Manager (Katie Potts) becomes incapacitated or otherwise unavailable. The lead investment Manager works with an investment management team who are responsible for geographic sectors of the portfolio and collaborate collectively to ensure there is appropriate coverage of the portfolio. The risk has reduced over time as the Manager's team grows in experience and resources expand in both the investment management and administration teams. This risk rating remains unchanged from the previous year.

Third Party Service Provider Operational Risk ⇄**Information (including cyber) security and physical security** ⇄

The failure or breach of information security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. The failure or breach of physical security could lead to damage or loss of equipment, with consequential negative results. Cyber security risks are considered and continually monitored by the Manager as these threats evolve and become increasingly sophisticated. The integrity of the Company's information security is closely monitored by the board, with each of the key service providers providing a regular report through its internal audit function which covers information technology security and provides comfort to the board that appropriate safeguards are in place. All physical locations have security in place and all third-party service providers have disaster recovery plans.

Emerging/External Risk ⇄

Emerging risk is a failure to have in place procedures that assist in identifying new or familiar risks that become apparent in new or unfamiliar conditions. The audit committee reviews risk management and internal controls twice a year and the board regularly considers industry trends and forthcoming legislation/regulatory change with its advisors, including the Manager, the broker and company secretary. It also reviews regular updates from the Association of Investment Companies ('AIC') and the auditor on such matters.

OTHER RISKS

The following are risks identified by the audit committee as potentially having a major impact on the Company but, after mitigation, are not deemed to be principal risks.

Strategic Risk**Gearing risk** ⇄

The Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss for shareholders. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. All borrowings require the prior approval of the board and gearing levels are discussed by the board and Manager at every meeting. The risk rating is unchanged from the previous year.

Discount volatility ⇄

There is a risk that the discount at which the Company's shares trade may widen. The board monitors the level of discount and its volatility.

Operational Risk ⇄

Disruption to or failure of the Manager's or administrator's accounting systems or those of other third-party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. The Company uses third party service providers and, consequently, is exposed to operational risk including information security and physical security, as described earlier. The Manager, administrator and company secretary each have comprehensive business continuity plans which facilitate continued operation of the business in the event of a service disruption or a major disruption event. The audit committee receives the administrator's report on internal controls and the reports by other key third-party providers are reviewed by the Manager and company secretary on behalf of the audit committee. The depositary reports six monthly on custody matters, including the continued safe custody of the Company's assets.

Emerging/External Risk**Climate change risk** ⇄

The financial risks from climate change are typically classified as physical or transitional risks. Physical risks are those arising from specific weather events (such as wildfires) and transitional risks are those arising from the changes to regulations, such as the move to net-zero carbon. The portfolio is well diversified to mitigate against physical risks. Changes in climate change focused regulation, governing both the Company and investee companies, will create some uncertainty. A number of investments address the challenges arising from climate change and may benefit. However, if climate change has a significant adverse impact on the wider economy, the Company could be negatively affected. In comparison to the broader economy, the portfolio has a relatively low carbon footprint. The board encourages the Manager to consider environmental, social and governance factors when selecting and retaining investments and this has been a major topic of discussion in the year. The risk rating remains unchanged from the previous year.

Global pandemic risk ⇄

A pandemic remains an ongoing risk with both primary and consequential negative effects and the board continued to monitor, together with the Manager, the market and operational risks associated with pandemic risk and the ongoing economic impact on the underlying investee companies. The board is satisfied that the Manager and the key service providers have in place robust plans and infrastructure to minimise the impact on the Company's operations so that it can continue to trade, meet its regulatory obligations, and report and meet shareholder requirements. By their nature the risks presented by possible

future pandemics are exceptionally difficult to assess. This risk rating is unchanged from last year.

Regulatory Risk ⇄

The failure to comply with applicable legal and regulatory requirements could lead to a suspension of the Company's Stock Exchange listing, financial penalties by the Financial Conduct Authority ('FCA') or a qualified audit report. Breach of s1158 could lead to the Company being subject to tax on capital gains. The Manager, depositary and administrator provide regular reports to the audit committee on their monitoring programmes. The Manager monitors investment positions and the Manager and administrator monitor the level of forecast income and expenditure. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representations would be made to seek to ensure that the special circumstances of investment trusts are recognised.

THE BOARD AND DIVERSITY

Information concerning the board's diversity is set out on pages 43 and 44, including the board's diversity policy.

BOARD'S DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (SECTION 172 STATEMENT)

The directors have a statutory duty to promote the success of the Company for the benefit of shareholders, whilst having regard to all stakeholders. They are also required to report annually how they have had regard to such matters, including identification of, and engagement with, key stakeholders and how this has impacted their decision making.

As an externally managed investment company with no employees, the directors consider the Company's main stakeholders to be: its shareholders; the Manager; a small number of other key service providers; investee companies in the portfolio; the environment; and the wider economy. In this context, the directors are not responsible for setting a "business culture" in the usual sense, but they do meet regularly with representatives of the Manager and the company secretary and seek to understand the culture of those businesses, and those of the Company's key service providers, and would raise any concerns in this regard if necessary.

SHAREHOLDERS

Shareholder support is critical to both the continued existence of the Company and the successful delivery of its long-term strategy. In this, the board is mindful of its duty to act fairly between shareholders and is focused on fostering good working relationships with shareholders and on understanding the views of shareholders.

A fundamental consideration of the board is whether the investment objective of the Company is continuing to meet shareholder expectations. The board's strategy is validated on a triennial basis – the last vote was in April 2022 with 99.99% of shareholders voting for the continuation of the Company and the next continuation vote will be proposed at the AGM in 2025.

The board places great importance on communication with all its shareholders and maintaining an open dialogue with them. The principal forum for this is the AGM. The Company's annual financial report is published in time to give shareholders at least 20 working days' notice of the AGM. Details of the proxy voting position on each resolution are published on the Company's website shortly after the AGM.

At the Company's most recent AGM held in April 2023, shareholders had the opportunity to meet with the board and the Manager and raise questions and concerns.

The board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance, and it reports formally to shareholders twice a year by way of the annual and half-yearly financial reports. This is supplemented by the daily publication of the Company's net asset value, routine and ad hoc regulatory announcements, monthly factsheets and other information placed on the Manager's website, including pre-investment information, a key information document ('KID'), portfolio disclosures, terms of reference and the Company's share price.

One of the board's objectives has been, along with the Manager, to ensure shareholder engagement is sufficient. The board has endorsed the ongoing appointment of QuotedData (formerly Marten & Co), a provider of research notes on the Company, and retains joint brokers, Singer Capital Markets Securities Limited and Peel Hunt LLP. The chairman and directors are available to meet on a one-to-one basis with the institutional shareholders with or without either brokers or the Manager present. The chairman undertook several meetings with institutional shareholders during the year. During the year the Company's brokers and Manager held regular discussions with larger shareholders. Feedback from shareholder engagement is reported to the board. Shareholders wishing to contact the chairman or any other member of the board may do so at any time by writing to the company secretary.

Consumer Duty

The FCA's Consumer Duty rules comprise a fundamental component of the FCA's consumer protection strategy and aim to improve outcomes for retail customers across the entire financial services industry through the assessment of various outcomes, one of which is an assessment of whether a product provides value. Under the Consumer Duty, the Manager is the product manufacturer of the Company and therefore the Manager was required to complete a fair value assessment from April 2023. Using a newly developed assessment methodology, the Manager evaluated the Company and made an assessment of the value it provides to investors concluding that the Company is delivering fair value. As this was the first year of assessment, the Board gained an understanding of the Manager's basis of assessment and no concerns were identified with either the assessment method or the outcome of the assessment.

THE MANAGER

The Manager is the principal service provider and supplies investment management and administration services to the Company. The Company is, and has been for a number of years, a beneficial owner of 15.5% of the ordinary share capital of HIML Holdings Limited, the holding company of the Manager, and a number of directors and employees of the Manager have shareholdings in the Company, further aligning the Manager's interests with those of the Company's shareholders.

The board seeks to engage with the Manager in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that there is appropriate and regular challenge. At all board meetings there is a dialogue with the lead investment manager, Katie Potts. In addition, other members of the investment team attend board meetings to provide updates

STRATEGIC REPORT CONTINUED

on specific sectors or geographies in which the portfolio is invested. A principal consideration of the board is whether the Manager is performing in accordance with the Company's investment objective and investment policies. This consideration, as quantified by the KPIs described earlier in the Strategic Report, is discussed at all board meetings and at the board's annual strategy meeting and explained to shareholders in detail in the Managers' Report.

The investment management section of the Strategic Report sets out the key terms of the management agreement. The board reviews the performance of the Manager, its remuneration and the discharge of its contractual obligations at least annually.

OTHER SERVICE PROVIDERS

Other key service providers comprise the company secretary, the administrator, the depositary, the custodian, the brokers, the registrar and the auditor. The continuance, or otherwise, of the engagement of these are reviewed by the board every year to ensure that the Company continues to receive high quality service at a competitive cost. Day to day dealings with the other key service providers are, in general, conducted by the Manager with periodic reports being provided to the board and an emphasis by both the Manager and the directors on constructive and transparent relationships.

In maintaining the Company's reputation and high standards of business conduct, the board is provided with regular reports from the Company's brokers and company secretary. These alert the Board to recent changes in regulation and market practice, as well as any likely reputational threats which, in turn, influence the board's decision-making process. The board also seeks annual assurance from its service providers as regards governance, including whistleblowing, prevention of tax evasion and anti-bribery policy and procedures.

INVESTEES COMPANIES, THE ENVIRONMENT AND WIDER ECONOMY

As stated earlier, as an investment trust with no trading activity or employees, the Company has little direct impact on the social community or the environment. It is a low energy user in relation to the carbon reporting regulations and is exempt from the relevant disclosure requirements. A greenhouse gas emissions statement is included in the Directors' Report on page 49 and the Company has given shareholders the option to receive electronic copies of annual reports and other information.

However, the Company has indirect interests through its investment portfolio. The Company's long-term success is derived from the underlying success of the telecommunications, multimedia and technology businesses in which it is invested through the expertise of the Manager. The Manager in turn is committed to being a long term and responsible investor.

The directors believe that the Company is making a positive contribution to addressing the challenges posed by climate change through its investments in companies involved in, for example, renewable energy and its supply chain, companies which develop software which enables more efficient work processes and companies which produce power efficient components. In addition, the Manager's Stewardship Report (further described below) sets out the Manager's approach to encouraging investee companies to consider environmental factors in a way that is proportionate to their size.

The Manager is committed to being a responsible investor and applies, and is a signatory to, the United Nations Principles for Responsible Investment 'PRI', which demonstrates its extensive efforts in terms of the integration of ESG factors into the investment process, active ownership, investor collaboration and transparency. Further details of responsible investing, ESG and stewardship matters are dealt with on pages 39 to 41 of the Strategic Report.

All engagement with investee companies in the portfolio is through the Manager and, if strategically relevant, reported to the board. Following the introduction of the UK Stewardship Code 2020 by the Financial Reporting Council (FRC), the Manager refreshed the explanation of its approach to the stewardship of its clients' assets. This included the formalisation of the Manager's Stewardship Approach and Policy, which was discussed and approved by the board. The Manager has been a signatory to the UK Stewardship Code 2020 since September 2022. The board regularly reviews the governance engagement reports which set out the reasons why the Manager has voted against investee company management recommendations or against the recommendations of third party proxy advisors. The Stewardship Approach and Policy, the Stewardship Code Report and a summary of the 2023 Voting Record are available on the Manager's website www.heralduk.com.

The Company has investments in early-stage companies – frequently companies which have not reached profitability. Secondary fund raisings are often required for them to reach profitability while other companies seek more capital to acquire businesses. The Manager endeavours to support these follow-on fund raisings as long as it is in the interests of the Company's shareholders. Bearing this in mind, as well as several other factors including market conditions, the economic cycle and liquidity, the directors have adopted a conservative gearing policy. Borrowing facilities are a board decision, but within this policy the Manager decides on net cash or gearing levels which are reported on and discussed at every board meeting.

KEY DECISIONS

Key decisions and action taken by the board during the year which required the directors to have regard to s172 factors, included:

- Following the annual appraisal of the Manager by the board, the board resolved to continue the appointment of the Manager as it considers this to be in the best interests of the Company and its stakeholders.
- The nomination committee reviewed the composition of the board and recommended the appointment of a new non-executive director. Consequently, it undertook a recruitment exercise using an external recruitment firm. Priya Guha MBE was appointed as a director on 13 December 2023.
- Stewardship Approach and Policy and the Stewardship Code Report: As stated earlier, the board approved the stewardship matters during the year and is pleased to report that the Manager is a signatory to the FRC Stewardship Code 2020, which seeks to improve the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.
- The board reviewed the Manager's new Climate Report for the Company which is available on the Company's website.

- During the year the directors decided to endorse the Manager's recommendation not to put in place any borrowing facility, because of the increased cost of borrowing, continued challenging liquidity and the uncertain macroeconomic environment. The directors will continue to adopt leverage when market conditions seem appropriate.

The directors are cognisant of their duty under s172 in their deliberations as a board on all matters. Decisions made by the board take into account the interests of all the Company's key stakeholders and reflect the board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

VIABILITY STATEMENT

The directors' view of the Company's viability has not changed since last year. The Company, as an investment trust, is a collective investment vehicle designed and managed for the long term. The directors consider that three years is an appropriate forward-looking time period. This recognises the Company's current position, the investment strategy, which includes investment in smaller companies, some of which are early stage and for which a three-year horizon is a meaningful period over which to judge prospects, the board's assessment of the main risks that threaten the business model and the relatively fast-moving nature of the sectors in which the Company invests. Inevitably, investment in smaller and early-stage companies carries higher risks, both in terms of stock liquidity and longer-term business viability and this risk is accepted by the board as necessary to seek to deliver high returns.

There are no current plans to amend the investment strategy, which has delivered good investment performance for shareholders over many years and, the directors believe, should continue to do so. The investment strategy and its associated risks are kept under constant review by the board. The board undertook a robust assessment of the risks pertaining to the Company, including risks to the Company's viability, and this is set out in the principal risks and uncertainties section. This included emerging risks such as ongoing global tensions - for example the war in Ukraine, the conflict in Gaza and associated tensions in the Middle East, and tensions over Taiwan - and continuing negative growing effects of climate change. As part of this, the board considered several severe but plausible scenarios, including the impact of significant market movements.

Other items relevant in the directors' assessment of the Company's viability were: income and expenses projections and the expectation that the majority of the Company's investments comprise readily realisable securities as substantiated by liquidity analysis of the portfolio; any borrowing facilities in place - noting there were none at the year end; and the fact that as a closed ended investment company the Company is not affected by the liquidity issues of open-ended companies caused by large or unexpected redemptions. The board also takes account of the triennial shareholder vote on whether the Company should continue as an investment trust. At the AGM in April 2022, 99.99% of votes cast were in favour of continuation. The next continuation vote will be at the AGM to be held in 2025.

The directors confirm that, based on the above and on reviews conducted as part of the detailed internal controls and risk management processes set out on pages 45 and 46, they have a reasonable expectation that the Company will continue to maintain its status as an investment trust, to

implement its investment strategy and to operate and be able to meet its liabilities as they fall due for at least the next three financial years.

INVESTMENT MANAGEMENT

The management contract with HIML is subject to 12 months' notice by either party. The senior director of HIML with prime responsibility for the management of the Company's portfolio is Katie Potts, who is also a substantial shareholder of HIML Holdings Limited, the parent company of HIML. For the year under review, HIML was remunerated at an annual rate of 1.0% of the Company's net asset value (excluding current year net revenue) up to £1.25bn and 0.8% thereafter, calculated using middle market prices. Compensation fees would only be payable in respect of this 12-month period if termination were to occur sooner.

The board considers that maintaining an appropriate level of ongoing charges for a specialist trust is in the best interest of all shareholders. The board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long-term performance. At 31 December 2023, Katie Potts held 478,614 (2022 - 412,244) of the Company's shares.

At 31 December 2023, the Company was the beneficial owner of 15.5% (2022 - 15.4%) of the ordinary share capital of HIML Holdings Limited.

The board considers the investment management arrangements for the Company on a continuing basis and a formal review is conducted annually. The board considers, amongst others, the following topics in its review: investment performance in relation to the investment policy and strategy; the continuity of personnel managing the assets and reporting to the board; the level of service provided in terms of the accuracy and timeliness of reports to the board and the frequency and quality of both verbal and written communications with shareholders.

Following the most recent review the board is of the opinion that the continued appointment of HIML as investment Manager, on the terms agreed, is in the interests of shareholders due to the experience of the Manager, the track record of performance and the quality of service and information provided to the board.

RESPONSIBLE INVESTING, ESG AND STEWARDSHIP

The United Nations Principles of Responsible Investing ('PRI') defines responsible investing as a strategy and practice to incorporate environmental, social and governance factors in investment decisions and active ownership. The Stewardship Code 2020 sets out the principles of stewardship which it defines as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The board has delegated the management of the Company's investments to the Manager, HIML, and seeks to ensure that HIML has a sensible and systematic approach to stewardship. The board has adopted HIML's suggested approach, after considerable deliberations by the board with HIML. As well as designing a robust framework, HIML regularly evidences to the board that it has implemented its policies to act as a responsible investor on an on-going basis.

In relation to the portfolio, HIML has in turn documented its approach to environmental, social and governance ('ESG')

STRATEGIC REPORT CONTINUED

factors which sets out a number of objectives and criteria that are considered in the context of its responsibility to manage investments in the financial interests of shareholders.

As an investment company with no employees, property or activities outside investment, environmental policy has limited direct application for the Company. Nevertheless, the board is required to make a statement on greenhouse gas emissions and this is included in the Directors' Report on page 49.

HIML's, and thus the Company's, approach to responsible investing follows.

1. HIML does not exclude companies from its investment universe purely on the grounds of an ESG issue although the telecommunications, multimedia and technology focus of Herald implicitly limits investment in a number of the most environmentally damaging sectors, such as coal mining or generating energy by burning fossil fuels.
2. It adopts a positive engagement approach whereby matters are discussed with the management of portfolio companies with the aim of sharing best practice, improving the portfolio companies' relevant policies and management systems and enabling HIML to consider how ESG factors could impact long term investment returns.
3. HIML's focus on the newer sectors of the economy means that it believes that in aggregate investee companies assist in improving the world environmentally. The largest component of the portfolio is software, which provides efficiencies for enterprises, governments and consumers. Other sectors of the portfolio often provide and improve the enabling supply chain. Technology also provides energy efficient communications, entertainment and more; and HIML firmly believes that capitalism and technological innovation combined offer the best prospects to address the environmental challenges we face. This is in contrast to the environmental impact of the older parts of the economy such as transport, extractive industries or heavy industrial sectors where HIML does not invest. The majority of investments in the technology and multimedia sectors have a low carbon footprint and the carbon emissions of the portfolio are estimated to be a fraction of those relative to the large companies' indices in the UK and US. Furthermore, much of the world's most advanced technology and intellectual property tends to reside in the wealthiest and most advanced economies, which themselves have strict social and environmental standards.
4. HIML is a signatory of the PRI, the globally recognised accord for responsible investment. HIML is also a signatory to the FRC Stewardship Code 2020. In addition, HIML is a supporter of the Task Force on Climate-related Financial Disclosures ('TCFD'). HIML contributes to the development of the rules that govern smaller companies through its participation in the QCA and its committees including the QCA secondary markets group and the QCA remuneration committee which produces the guide outlining best practice for UK small companies.

5. HIML's investment team undertake in-depth company research, seeking to identify sustainable competitive advantages that enable businesses to generate excess returns on capital and predictable cash flow. As bottom-up fundamental investors, the team consider the ESG risks that are material alongside other risks faced by companies in the portfolio. They investigate and incorporate any problematic issues into their assessment and decision-making process; and portfolio holdings are closely monitored throughout the time that the Company are shareholders.
6. HIML actively encourages company management to think about employees, customers and broader stakeholders ahead of short-term shareholder returns, and firmly believe that this leads to the best long-term outcomes for shareholders. This includes engaging and interacting with company management on strategy, performance, governance, risk management and their treatment of employees.
7. HIML votes the vast majority of the Company's shares by proxy using the ISS system, although in exceptional circumstances HIML will attend meetings where the Company has large holdings and there is a contentious issue and where attendance in person rather than voting by proxy is in the Company's best interests. Given the wide range of company sizes and variety of governance and regulatory environments, HIML does not believe that it is sensible to enforce prescriptive policies and rules. Furthermore, such an approach may well prove to be damaging. Voting decisions made by HIML's investment team reflect all the knowledge they have on the industry, company and management as well as incorporating input from specialist information sources.

PROXY VOTING

	2023	2022
Number of meetings	395	420
Number of meetings voted at	394	415
Number of meetings voted against management	42	44
Number of resolutions	3535	3715
Number of resolutions voted against management	70	95
Number of resolutions where abstained or vote withheld	36	62

During 2023 votes were cast against or abstained where there were concerns about board composition, remuneration, governance, auditors and delisting.

Further details on Responsible Investing, ESG and Stewardship can be found on HIML's website at www.heralduk.com.

CLIMATE CHANGE

The Company does not seek specific climate outcomes as part of its investment objective. However, the need to create a more sustainable world represents a considerable upside opportunity for companies contributing to the transition, and a significant downside risk for those which do not. Given the long term investment time horizon of at least five years, this encompasses not only the risks from climate change itself but also how market forces and regulation could influence the potential returns for shareholders.

As explained in the Responsible Investing, ESG and Stewardship section on pages 39 and 40, responsible investing incorporates environmental factors, which includes climate change. The board is a supporter of the ambitions of the Task Force on Climate-related Financial Disclosures* ('TCFD') and believes it will improve disclosure of climate-related risks which in turn will help the Manager better assess climate-related risks and opportunities as part of its investment decisions.

The Manager is also a supporter of TCFD and has historically reported annually on its climate risks and emissions. In a development of this reporting, and although the Company as an investment company is exempt from the requirement to produce a TCFD report, the board is pleased by the initiative of the Manager to produce for the first time a Climate Report in line with TCFD recommendations for the Company as at March 2023 (the same date as the Manager's reporting). The report layout mirrors the TCFD four core recommendations: governance; strategy; risk management; and metrics and target and includes the emissions of the Company. The report can be found on the Manager's website: www.heralduk.com.

Emissions

Given the focus of the Company on investing in small companies in the technology, media and telecommunications (TMT) sectors the Company has a relatively low carbon intensity and carbon footprint compared to the wider economy and minimal exposure to 'TCFD climate material' sectors. The Company does not target a specific level of CO2 emissions. Companies within the TMT sectors tend to be enablers of environmental efficiency rather than contributors to substantial environmental damage.

As climate change and its effects will continue to pose ever changing systemic risks, the Manager has developed a more focused emissions based risk methodology to help identify portfolio companies which may be high emitters. This risk ranking of the portfolio from lowest to highest risk is set out in the table that follows. No portfolio companies are in the highest rating.

The Manager's Climate Change Risk Matrix Analysis of the Company's portfolio[†]

Risk Matrix	No Companies In HIT	%
1 – Lowest	223	65
2 – Low	20	6
3 – Medium Low	10	3
4 – Medium High	86	25
5 – High	2	1
6 – Highest	0	0
	341	100

The following table analyses those portfolio companies risk rated medium or above.

* The TCFD's recommendations remain applicable even though the TCFD was disbanded in late 2023. The Financial Stability Board has asked the IFRS Foundation to take over the monitoring of the progress of companies' climate-related disclosures.

Emission Risk Factor	BICS Level 3 Sectors	Value £,M	% AUM
5 – High	Chemicals	3.0	0.2
4 – Medium High	Automotive	1.1	0.1
	Electrical Equipment	25.5	2.0
	Forestry, Paper & Wood Products	1.2	0.1
	Semiconductors	122.6	9.8
	Technology Hardware	200.4	16.0
		350.8	28.0
3 – Medium Low	Aerospace & Defence	3.7	0.3
	E-Commerce Discretionary	3.2	0.3
	Industrial Intermediate Products	28.3	2.3
	Retail – Consumer Staples	0.3	0.0
	Retail – Discretionary	0.4	0.0
	Wholesale – Discretionary	1.6	0.1
		37.5	3.0

† Emissions data based on portfolio holdings as at 31 March 2023.

Companies which have a medium risk factor and above have further analysis undertaken by the Manager, and engagement where relevant. Where applicable, voting will be used, including for applicable shareholder resolutions. The level of engagement on ESG issues is considered in the context of the relative size of the shareholding. Information with regards to individual company engagements are reported annually in the Manager's annual Stewardship Report available on the website (www.heralduk.com).

The Manager actively encourages investee companies to reduce emissions and to improve climate-related disclosures but recognises that there is an additional cost to this. Many of the companies in the portfolio are early stage and have far more limited resources for providing comprehensive ESG reports than larger, more established companies.

TCFD Reporting Targets

The Manager is developing a climate engagement strategy to focus on encouraging companies in the high risk sectors (Medium, High, Highest) to report in line with TCFD for the funds it manages and has recently set targets. The current status and targets set for the Company are shown in the table below.

	Current Status	Short Term (2030) Target	Long Term (2040) Target
High Risk Sectors (Medium High, High, Highest)			
% Reporting Scope 1&2 By Value	60%	90%	100%
% Emissions Reduction Plan By Value	45%	90%	100%
Total Portfolio			
% Reporting Scope 1&2 By Value	50%	60%	90%
% Emissions Reduction Plan By Value	38%	50%	90%

† Data based on portfolio holdings as at 31 March 2023.

Comments on metrics and targets in general

The Company's Climate Report contains metrics for the portfolio including, but not limited to: Carbon Footprint; Weighted Average Carbon Intensity; and Emissions. The metrics mentioned above and further information with regards to the challenges of data collection, estimation and aggregation can also be found in the Climate Report.

DIVIDENDS

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the directors and final dividends are subject to shareholder approval. The directors do not recommend a dividend for the year under review.

On behalf of the board

ANDREW JOY
CHAIRMAN
21 February 2024

YOUR BOARD OF DIRECTORS

ANDREW JOY

Andrew Joy was appointed to the board on 1 October 2022 and became Chairman of the board and the nomination committee on 18 April 2023. Andrew is a senior advisor of Stonehage Fleming, a leading international multi-family office and chairman of the investment committee of FPE Capital.

Andrew was one of the founding partners of Cinven, a leading private equity firm investing in Europe and U.S. and has been chairman or director of numerous growth companies over the past 30 years. He was previously chairman of the British Venture Capital and Private Equity Association and The Biotech Growth Trust plc and a director of the European Venture Capital Association.

He is highly regarded for his extensive knowledge of the financial sector and of the high-growth part of the smaller company sector.

STEPHANIE EASTMENT

Stephanie Eastment was appointed to the board on 1 December 2018 and is chair of the audit committee. After leaving KPMG in 1990 she held various accounting and compliance roles at Wardley and UBS before joining Invesco Asset Management in 1996. There she held a variety of increasingly senior roles, specialising in investment trusts.

She left Invesco in July 2018 to pursue a non-executive career. Stephanie is currently a non-executive director and audit chair of Murray Income Trust plc, Impax Environmental Markets plc and Alternative Income REIT plc and a non-executive director of RBS Collective Investment Funds Limited.

She has extensive accounting, corporate governance and investment trust sector experience. As a chartered accountant and company secretary she has honed her technical expertise, knowledge and contacts within the industry and provides constructive oversight and challenge not only as a director, but as the audit committee chair.

HENRIETTA MARSH

Henrietta Marsh was appointed to the board on 1 September 2019. She has a background in fund management, having worked in UK small cap and private equity investment over several decades, more recently pursuing a plural career. From 2005 until 2011, she was AIM fund manager at Living Bridge Equity Partners. Prior to that, Henrietta spent 14 years at 3i in several roles, including as fund manager of 3i Smaller Quoted Companies Trust plc (1997–2002). Her earlier career was with Morgan Stanley and Shell. She is currently a non-executive director of Gamma Communications plc (AIM-listed).

She has direct experience and understanding of the investment process required in the Company. She takes the lead on the board in reviewing HIML's stewardship approach.

KARL STERNBERG

Karl Sternberg was appointed to the board on 21 April 2015. He will retire from the board and the Company at the conclusion of the AGM in April 2024. He was a founding partner of Oxford Investment Partners Limited from 2006 until 2013, when it was acquired by Towers Watson. Much of his earlier career was spent at Morgan Grenfell (which became Deutsche Asset Management), where he became chief investment officer, Europe & Asia Pacific. Karl is chairman of Monks Investment Trust plc and a non-executive director of Clipstone Industrial REIT plc and Jupiter Fund Management plc.

He has significant investment trust experience and has good insight in the investment industry and the macroeconomic risks and influences.

JAMES WILL

James Will was appointed to the board on 21 April 2015 and became senior independent director on 20 April 2021. He was previously chairman and a senior corporate finance partner of law firm Shepherd and Wedderburn LLP. He also headed the law firm's financial sector practice. As a lawyer, he was for over 20 years involved in advising smaller quoted technology companies on a range of corporate transactions, including IPOs, secondary fundraisings and mergers and acquisitions. James is chairman of Asia Dragon Trust plc and was previously chairman of The Scottish Investment Trust plc and a non-executive director of JP Morgan Global Growth & Income plc.

He has significant investment trust experience and in an environment of increasingly complex legal and regulatory framework, his legal counsel has a valued contribution. He has taken the lead ensuring the Company's legal agreements are in line with best practice.

PRIYA GUHA MBE

Priya Guha MBE was appointed to the board on 13 December 2023. She has a portfolio of roles across the global and UK technology and innovation landscape including as a non-executive director at UK Research & Innovation and Digital Catapult, a venture partner at Merian Ventures, a San Francisco based venture capital fund, and an advisor to various start-up companies including Kheiron Medical Technologies and Gallos Technologies. She is also a non-executive director at Reach PLC.

She has significant knowledge of the global technology sector and valuable experience in both public and private sectors.

All directors are, in the opinion of the board, independent of the management company.

All directors are non-executive.

All directors are members of the audit committee except for the chairman. All directors are members of the nomination committee.

CORPORATE GOVERNANCE REPORT

GOVERNANCE PRINCIPLES

The board is committed to achieving and demonstrating high standards of corporate governance. This statement outlines how governance principles were applied throughout the financial year. The UK Corporate Governance Code ('UK Code') issued by the Financial Reporting Council ('FRC') in July 2018 and the AIC Code of Corporate Governance ('AIC Code') issued in February 2019 are the applicable governance codes in this regard.

The FRC has confirmed that by following the AIC Code, investment company boards will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The AIC Code is available on the AIC website at www.theaic.co.uk, and the UK Code on the FRC website at www.frc.org.uk.

STATEMENT OF COMPLIANCE

The directors believe that the Company has complied with the AIC Code during the year and up to the date of this report, and thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to the role of the chief executive; executive directors' remuneration; and the need for an internal audit function. As an investment company which outsources its administration to third-party providers, the Company has no chief executive or other executives and therefore these provisions are not applicable. It does not maintain an internal audit function. The audit committee considers the need for such a function at least annually and additional detail is provided later on in this statement.

THE ROLE OF THE BOARD

The board has overall responsibility for the Company's affairs and for setting the Company's purpose and strategy. The s172 Statement on pages 37 to 39 sets out in detail the parties, shareholders and other stakeholders, and factors the directors consider as they perform their duties and the board its role. There is an annual cycle of board meetings. A formal schedule of matters reserved for the board has been established covering strategy; structure and capital; investment objective, policy and limits; gearing; dividend and corporate governance policy; performance; key contracts; risk; financial reporting and board membership. This is reviewed annually to ensure compliance with latest regulatory requirements and best market practice.

The board is responsible for the approval of the annual and half-yearly reports and board-published documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

The board's oversight of the Company's risk management and internal controls is set out in detail later in this report on pages 45 and 46. Full and timely information is provided to the board to enable it to function effectively and to allow directors to discharge their responsibilities.

CHAIRMAN

The chairman of the Company, Andrew Joy, is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda.

SENIOR INDEPENDENT DIRECTOR ('SID')

James Will was appointed SID on 20 April 2021. The SID provides a sounding board for the chairman; is an intermediary for other directors if required; and is an

additional channel for shareholders if contact through the chair or company secretary has failed to resolve an issue or where that channel would not be appropriate.

BOARD COMPOSITION AND INDEPENDENCE OF DIRECTORS

The board currently comprises six directors although, as explained elsewhere in this report, for the majority of the year there were only five directors. All are non-executive. All directors will retire at the AGM and offer themselves for re-election, other than Karl Sternberg, who is retiring, and Priya Guha, who will stand for election as a new director having been appointed during the year.

The directors believe that the board has a balance of skills and experience which enable it to provide effective leadership and proper governance of the Company.

All the directors are considered by the board to be independent of the Manager and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The board believes that James Will continues to be independent, notwithstanding that, having been appointed in April 2015, he will exceed the nine years' limit set out in the UK and AIC Codes during the year. In order to avoid two experienced directors retiring at the same time, the board proposes that he will remain on the board until the 2025 AGM to ensure an orderly succession in accordance with the Company's policy which permits flexibility in these circumstances.

There is an agreed procedure for directors to seek independent professional advice if necessary at the Company's expense.

Conflicts of interest are unusual but in the event of one occurring, there is an established procedure to manage them.

BOARD DIVERSITY

Diversity policy

Appointments are based on merit with due regard to the benefits of diversity. The board considers many factors, including the balance of skills, knowledge, experience, gender, ethnicity, cognitive and personal strengths when reviewing its composition and appointing new directors. The aim of the policy is to identify those with the best range of skills and experience to complement existing directors in order to provide effective oversight of the Company and constructive support and challenge to the Manager. Summary biographical details of the directors, including their relevant experience, are set out on page 42.

Implementation of the Board's Diversity Policy

In the 2022 annual report, the board chose to report on a voluntary basis against the targets set out in the FCA's Listing Rules 9.8.6R(9)(a). These require that at least 40% of individuals on the board are women; at least one individual on the board is from a minority ethnic background; and at least one of the senior board positions of Chair, SID, CEO and CFO is held by a woman.

At 31 December 2023, and at the date this Report and Accounts was signed, the board comprised six non-executive directors. Two of the targets are met because there are three women on the board (50%) and one director is ethnically diverse. In accordance with AIC guidance, the third target is not applicable because the Company is externally managed and does not have any executive staff – specifically it does

CORPORATE GOVERNANCE REPORT CONTINUED

not have either a CEO or CFO. However, the board considers that the chair of the audit committee of an investment company is a senior position, and this is held by a woman. In addition, the Managing Director of HIML, Katie Potts, is a woman and attends all board meetings except where this is not appropriate for governance reasons. Thus, the board considers the Company to meet the spirit of this target.

Board as at 31 December 2023

The following information has been provided by each director. As the Company has no employees, no information is included for executive management. The board has resolved that the Company's year end date be the most appropriate date for disclosure purposes. There have been no changes since 31 December 2023.

	Number of board members	Percentage of the board	Number of senior positions on the board
Men	3	50%	n/a
Women	3	50%	n/a
	Number of board members	Percentage of the board	Number of senior positions on the board
White British or other White (including minority-white groups)	5	83.3%	n/a
Minority ethnic	1	16.7%	n/a

TERMS OF APPOINTMENT

The terms and conditions of directors' appointments are set out in formal letters of appointment which are available for inspection upon request.

Under the provisions of the Company's articles of association, a director appointed during the year is required to retire and seek election by shareholders at the next AGM. All directors retire annually and, if appropriate, offer themselves for re-election.

DIRECTORS' MEETINGS

The board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for scheduled board and committee meetings held during the year including the annual strategy day. Additionally ad-hoc meetings are held as required for administrative purposes.

Number of scheduled meetings	Board	Audit	Nomination
	5	2	1
Andrew Joy ¹	5	2	1
Stephanie Eastment	5	2	1
Priya Guha ²	-	-	-
Henrietta Marsh	5	2	1
Karl Sternberg	5	2	1
James Will	5	2	1
Tom Black ^{1,3}	1	n/a	n/a

1 The chairman is not a member of the audit committee, but attends the committee by invitation of the audit chair.

2 Priya Guha MBE was appointed on 13 December 2023. There were no scheduled board or committee meetings between the date of her appointment and 31 December 2023.

3 Tom Black stepped down at the conclusion of the AGM held on 18 April 2023. He was unable to attend one of the two board meetings which took place prior to 18 April 2023, but he spoke extensively with the chairman-designate prior to the meeting.

COMMITTEES OF THE BOARD

The board has two committees: the audit committee and the nomination committee. The role, responsibilities and activities during the year of the audit committee are detailed in its report on page 47 and those for the nomination committee are shown below.

The board has not formed a management engagement committee and it remains the role of the board to regularly review the terms of the management agreement between the Manager and the Company, as set out on page 39. A separate remuneration committee has not been established as all directors are non-executive and the board as a whole considers directors' remuneration in line with the remuneration policy set out on page 51.

DIRECTORS: ELECTION AND RE-ELECTIONS

All directors standing for re-election at the forthcoming AGM served throughout the year. Priya Guha MBE joined the board on 13 December 2023 and thus served from that date. She will be standing for election at the AGM to be held on 23 April 2024. The biographies of the directors are set out on page 42 and are incorporated into this report by reference. They include the skills and experience that each director brings to the board in order to contribute to the long-term sustainable success of the Company. The attendance record of each director at meetings of the board and its committees throughout the year is shown in the previous section.

NOMINATION COMMITTEE

The nomination committee consists of all the directors and is chaired by the chairman of the board. The committee meets on an annual basis and at such other times as may be required. The committee has written terms of reference which include, identifying and nominating new candidates for appointment to the board including engagement of independent search consultants, board and director appraisal, succession planning and training. The committee also considers whether directors should be recommended for re-election by shareholders. The committee is responsible for considering directors' potential conflicts of interest and for making recommendations to the board on whether or not the potential conflicts should be authorised. The terms of reference are reviewed annually and are available on request and at www.heralduk.com.

Appointments to the Board

Appointments to the board are made on merit. They are assessed in accordance with the following standards:

- when seeking to recruit, the nomination committee will evaluate the skills, experience, independence, knowledge and diversity of the board and prepare a description of the role and capabilities required to fulfil the appointment and will normally appoint an independent agency to assist in the recruitment process or use open advertisements;
- it will ensure that a diverse group of candidates is considered;
- candidates will be considered against objective criteria having regards to the benefits of diversity – including gender, social and ethnic background and personal strengths, experience and knowledge; and
- the demands on each candidate's time and consideration of their other commitments.

During the year the committee held one scheduled and six ad hoc meetings. It undertook the following activities:

- updated the Company's succession planning, and determined that a new non-executive director should be appointed as a result of the forthcoming retirement of Karl Sternberg;
- completed its search for a non-executive director and recommended her appointment to the board. Korn Ferry, an independent firm with no connection to the Company, was used to assist in the search for this new director;
- reviewed the board and its committees' structures, size and composition and considered the skills required of current and future directors;
- undertook a board evaluation and reviewed the results of the evaluation as detailed below;
- considered the independence of each director;
- considered each director's time commitment;
- considered the skills matrix;
- reviewed and approved the Company's diversity policy statement and disclosure on diversity targets; and
- reviewed and approved the Company's tenure and succession planning policy.

Board and chairman's tenure

The nomination committee is responsible for considering the policy on tenure of the chairman of the board and planning for the chair's succession. In line with the board's policy on director tenure, which meets the recommendations of the AIC Code principles, the chairman's appointment may extend beyond nine years if required to provide flexibility and an orderly succession during the handover period. This principle is further extended to all members of the board.

Performance evaluation

During the year, the nomination committee met to assess the effectiveness of the chairman, each director, the board as a whole, its committees and the Manager. The evaluation required the directors to complete a short questionnaire on the operation of the board and its committees and the individual contribution of directors and the performance of the chairman. The appraisal of the chairman was led by James Will. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the board, training and development requirements, the contribution of individual directors and the overall effectiveness of the board and its committees.

An external evaluation will take place in 2024. This will be four years since the previous external evaluation, due to the committee agreeing that it was not appropriate to undertake an external evaluation during the first year of Mr Joy's tenure as chairman.

The nomination committee reported to the board on each director's performance, the process for which is described above, and concluded that their performance continues to be effective, they remain committed to the Company and have sufficient time to fulfil their duties. The board therefore recommends the re-election of Andrew Joy, Stephanie Eastment, Henrietta Marsh, and James Will, and the election of Priya Guha at the forthcoming AGM in April 2024.

Induction and training

Training for new directors is tailored to the particular circumstances of the individual appointee. Regular briefings are provided on changes in regulatory requirements that could affect the Company and the directors. Directors receive other relevant training as necessary.

RISK MANAGEMENT AND INTERNAL CONTROLS

The directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The board confirms that there is a continuing process for identifying, evaluating and managing the significant and emerging risks faced by the Company, in accordance with the guidance on risk management, internal control and related financial and business reporting, published by the FRC. This takes into account ongoing and emerging risks, procedures and controls and, after mitigation, identifies the significant risks as summarised on pages 35 to 37.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal control systems and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and in the period up to and including the date of this report.

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to HIML, Apex (the company secretary) and BNYMIL.

The audit committee and board monitor performance of the functions performed by HIML, the company secretary and BNYMIL through regular review. Since July 2014, when HIML became the Company's AIFM under the Alternative Investment Fund Managers Directive ('AIFMD'), the audit committee and board also monitor the controls managed by the AIFM.

The AIFM has a risk policy covering the risks associated with its management of the portfolio and it has in place its own risk management procedures, which are periodically reviewed. Risk limits are set by the AIFM and approved by the audit committee taking into account several factors, including investment strategy and risk appetite. The investment policy limits are described in the Strategic Report and are monitored at each board meeting, taking account of appropriate sensitivity analysis.

HIML has a compliance function in accordance with the FCA regulations. The compliance function provides the audit committee and board with a report on its monitoring procedures on a regular basis. Compliance monitoring by HIML includes risk-based internal monitoring as well as external monitoring of services that have been delegated to third parties – principally fund accounting and company secretarial services.

CORPORATE GOVERNANCE REPORT CONTINUED

For fund accounting, monitoring includes reviewing the monthly net asset value produced by BNYMIL versus HIML's own system, reviewing BNYMIL's client accounting compliance reports and internal audit confirmations and reviewing KPMG's annual Service Organisation Control ('SOC1') and Centrally Managed Information Technology Services ('CMITS') reports on BNYMIL. The audit committee also receives regular compliance reports from BNYMIL, including performance against service level standards.

Under AIFMD, the Company has appointed a depository, BNYMIL, whose responsibilities include cash monitoring and safekeeping of the Company's assets. It also acts as the custodian. The scope of the fund accounting services includes reconciliations to custody records. Provision of custody services by BNYMIL is covered by a SOC1 report, a copy of which is available to audit committee members.

As set out in the Strategic Report, the board, using the detailed risk and control review work of the audit committee, undertakes a robust and ongoing assessment of the Company's risk management and controls. This active monitoring ensures consideration is given regularly to the nature and extent of the risks facing the Company. Where new risks, or changes in risk, are identified during the year, these procedures also provide a mechanism to assess whether further action is required to manage the changes identified.

The board confirms that these procedures have been in place throughout the year under review and that they continue to be in place up to the date of approval of this report.

ACCOUNTABILITY AND AUDIT

The respective responsibilities of the directors and the auditor in connection with the financial statements are set out on page 54.

DISCLOSURES REQUIRED BY UKLA LISTING RULE 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. None of the prescribed information is applicable to the Company for the year under review.

RELATIONS WITH SHAREHOLDERS

The board places great importance on communication with shareholders. The Company's Manager meets with shareholders and reports to the board. The chairman is also available to meet shareholders and undertook several such meetings during the year, both with and without the Manager. Shareholders wishing to communicate with the chairman or any other director may do so by writing to the company secretary at the registered office of the Company which is shown on page 83.

Information is provided to all shareholders via the annual and half-yearly accounts and also by the publication of daily NAVs and monthly factsheets.

The Company's AGM provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the Manager's website, www.heralduk.com, subsequent to the meeting. Shareholders and potential investors may obtain up-to-date information on the Company from the Manager's website.

In line with governance recommendations, if 20% or more of votes cast are against any resolution, the Company would announce what action it intended to take to consult shareholders views and would provide a summary of the outcome and actions it intended to take within six months of the date at which the vote was held. The board confirms that none of the resolutions put to shareholders at the AGM in 2023 received 20% or more of the votes cast against.

PURCHASE OF OWN SHARES

At the AGM of the Company to be held on 23 April 2024, the Company will as usual be seeking authority to make limited purchases of the Company's ordinary shares – see the notice of AGM on page 80. Buy-backs are considered by the board to be a useful tool, where cash is not being utilised for investment, to assist in the maintenance of liquidity in the Company's shares. Shares will only be bought back at a time when the Company's shares are trading at a discount to its prevailing net asset value.

AGM – DIGITAL PROXY VOTING

Shareholders are strongly encouraged to submit proxy votes online by visiting www.signalshares.com. There is a straightforward registration process and a number of our shareholders are using the site already. All you need is your name, address and investor code, which can be found on your share certificate. If you are having trouble locating your share certificate or investor code, please call the shareholder helpline on 0371 664 0300 (or from overseas +44 (0)371 664 0300).

Any shareholder who is unwilling or unable to vote digitally can 'opt-in' to receive a paper proxy card by telephoning the shareholder helpline.

AGM RECOMMENDATION

The directors unanimously recommend all holders to vote in favour of all the resolutions to be proposed at the AGM as they will be doing with their own holdings.

On behalf of the board

ANDREW JOY
CHAIRMAN
21 February 2024

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE

The audit committee is made up of all the independent non-executive directors, with the exception of the chairman, although he joins by invitation. The committee believes that it is in the best interests of Company for the chairman of the board to attend. The committee is chaired by Stephanie Eastment and the committee meets at least twice a year.

The committee considers that at least one of its members has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the Company operates. Its authority and duties are defined within its written terms of reference which are available on request from the Company and on the Manager's website: www.heralduk.com.

ROLE AND RESPONSIBILITIES

The committee's responsibilities include:

- monitoring and reviewing the integrity of the half-yearly and annual financial statements and any formal announcements relating to the Company's financial performance including: ensuring compliance with statutory and listing requirements; appropriateness of accounting policies and any financial judgements and key assumptions;
- at the request of the board, considering whether the annual report, when 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;
- reviewing the adequacy and effectiveness of internal control and risk management systems and considering the key risks and emerging risks facing the Company;
- making recommendations to the board in relation to the appointment of the external auditor and approving the remuneration and terms of its engagement;
- overseeing and managing the audit tender and selection processes and making recommendations to the board about the appointment, reappointment and removal of the external auditor;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services;
- management of the relationship with the external auditor including: the scope, nature and planning of the audit; discussion of matters of audit focus; evaluation of external auditor's results; and review and monitoring the independence, objectivity and effectiveness of the external auditor taking into consideration relevant UK professional and regulatory requirements;
- reviewing whistleblowing arrangements in place within HIML; and
- considering annually whether there is a need for the Company to have its own internal audit function.

COMMITTEE ACTIVITY FOR THE YEAR

The committee fulfilled all the above roles and responsibilities for the year under review, with the exception of audit tendering as this was undertaken in 2019.

The Company's external auditor is PricewaterhouseCoopers LLP ('PwC'). As part of the year end audit process, the committee reviewed the audit plan at an early stage. This review covered the scope of the audit, materiality, ensuring that the auditor's objectives would meet the committee's expectations and the key audit and accounting matters to be considered. During the audit the committee chairman liaised with both the company secretary and PwC to receive progress updates and reviewed the auditor's draft audit results report prior to the year end committee meeting at which the annual financial report was reviewed.

RISK MANAGEMENT AND INTERNAL CONTROL

The extensive array of internal controls adopted by the Company are set out in the Corporate Governance Report. The board as a whole is responsible for the effectiveness of internal control mechanisms but it is informed by more specific work carried out by the audit committee.

SIGNIFICANT ISSUES RELATING TO THE 2023 FINANCIAL STATEMENTS

The UK Corporate Governance Code requires us to describe any significant issues considered in relation to the financial statements and how those issues were addressed. While there were no significant issues, two matters of risk of particular focus at the statement of financial position date are the risks that investments might not have been correctly valued or beneficially owned. The committee receives bi-annual reports from the depositary confirming the valuation, existence and ownership of the Company's investments as well as the year end auditor's report on these items. No issues were discovered.

INTERNAL AUDIT

The audit committee carried out its annual review of the need for an internal audit function. The committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Manager and the administrator provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore not considered necessary.

EXTERNAL AUDITOR

The committee reviewed the independence and objectivity of the auditor, its performance and effectiveness by meeting with the audit partner to discuss the year's audit. Part of that process required the auditor to give the committee an assessment of how the audit team identified and managed threats to its independence. The committee received confirmation from the auditor that it has complied with the relevant UK professional and regulatory requirements on

AUDIT COMMITTEE REPORT CONTINUED

independence. It also took into account the findings in the most recent FRC audit quality inspection report on PwC. The committee does not believe that there has been any impairment to the auditor's independence.

This year's audit was the fifth performed by PwC, and by Allan McGrath as engagement partner, since PwC was appointed on 21 October 2019 following an audit tender process. As part of the year end committee meeting, the committee sought the views of the Manager and administrator on the effectiveness and performance of the audit team. No issues were raised. As set out above, the committee reviewed the performance and effectiveness, independence and objectivity of the auditor for the year under review. This also included consideration of the experience of the audit partner and staff, the quality of service, review of the audit plan, execution and reporting, and attendance of the audit committee chair in additional meetings with the auditor as part of the annual and half-yearly reporting process. All results were satisfactory. Accordingly, the committee has recommended that PwC be reappointed at the forthcoming AGM.

PwC have indicated their willingness to continue in office and resolutions proposing the reappointment of PwC and authorising the committee to determine their remuneration for the ensuing year will be proposed at the forthcoming AGM.

The next competitive audit tender will occur prior to the financial year ending 31 December 2029 in line with legal requirements.

NON-AUDIT SERVICES

The committee's policy is that non-audit work should be limited to those matters where the external auditor is most appropriately placed to carry out the work, unless there is a conflict of interest. All non-audit services must be approved in advance. PwC did not provide any non-audit services to the Company in this or the previous accounting year.

STEPHANIE EASTMENT
CHAIR, AUDIT COMMITTEE
21 February 2024

DIRECTORS' REPORT

The directors present their Directors' Report for the year ended 31 December 2023. The Strategic Report and the Corporate Governance Report on pages 34 to 46 form a part of the Directors' Report.

RESULTS AND DIVIDEND

The net asset value ('NAV') of the Company as at 31 December 2023 was 2,219.2p per ordinary share (2022 – 2,099.1p). This represented an increase of 5.7% during the year, compared to an increase in the comparative total return indices of 3.2% Numis Smaller Companies plus AIM (ex. investment companies) Index and an increase of 21.0% Russell 2000® Technology Index (small cap) (in sterling terms). The discount at year end was 13.4% (2022 – 15.1%).

The directors do not recommend a dividend for the year ended 31 December 2023 (2022 – nil) as the revenue reserve is in deficit. See note 7 on page 71.

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 42.

GOING CONCERN

The directors have undertaken a review of the Company's financial position and its ability to continue as a going concern. This review took account of rising global tensions – for example the war in Ukraine, the war in Gaza and associated tensions in the Middle East, and tensions over Taiwan. These uncertainties have created supply chain disruption and exacerbated inflationary pressures worldwide. The Company's principal risks are market-related and the current market conditions have demonstrated the resilience of the Company and its investment objective and policy. An explanation of the market, liquidity and credit risks and how they are managed is contained in note 17 to the financial statements. The Company's assets, the majority of which are investments in quoted securities, exceed its liabilities significantly. All borrowings require the prior approval of the board. The Company had no borrowings as at 31 December 2023. In accordance with the Company's articles of association, shareholders have the right to vote on the continuation of the Company as an investment trust every three years and a resolution to that effect was last approved at the AGM in April 2022. The next continuation vote will be at the AGM to be held in 2025.

The financial statements have been prepared on the going concern basis. There are no material uncertainties that call into question the Company's ability to continue to be a going concern for at least 12 months from the date of approval of these financial statements and the board is confident that the Company will be able to continue in operation and meet its liabilities as they fall due.

CONFLICTS OF INTEREST

The Company maintains a register of directors' interests which is reviewed prior to each board or committee meeting. The board is able to authorise conflicts if appropriate.

Directors are expected to notify the board if they become aware of any actual or potential conflict of interest for themselves or their connected parties, whether on an ongoing basis or in relation to a particular transaction.

Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a director which conflicted with the interests of the Company.

The board have recorded within its conflicts register that Henrietta Marsh and Priya Guha are directors of entities in which the Company is invested and have concluded that as the management of the investment portfolio is delegated to HIML, there is no conflict arising from these appointments. Should a decision need to be taken by the board in relation to these investments, the relevant director would abstain themselves from any such discussion and decision.

BRIBERY ACT 2010 AND CRIMINAL FINANCES ACT 2017

The board has a zero tolerance policy towards bribery and the criminal facilitation of tax evasion. It is committed to carrying out business fairly, honestly and openly. The Manager, administrator and company secretary also adopt a zero tolerance approach and have policies and procedures in place to prevent both bribery and the facilitation of tax evasion.

GREENHOUSE GAS EMISSIONS

The Company has no employees, physical assets, property or operations of its own, does not provide goods or services and does not have its own customers. It follows that the Company has little to no direct environmental impact. In consequence, the Company has limited greenhouse gas emissions to report from its operations aside from travel to board meetings, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Company consumed less than 40,000 kWh of energy during the year.

DIRECTOR INDEMNIFICATION AND INSURANCE

The Company has entered into deeds of indemnity in favour of each of the directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, or any costs incurred in connection with criminal proceedings in which the director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

PRINCIPAL RISKS AND UNCERTAINTIES

These are set out as part of the Strategic Report.

SHARE CAPITAL

Details of the Company's share capital and changes thereto are disclosed in the Strategic Report on page 34 and note 12 on page 73 of the financial statements.

ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles must be made by special resolution at a general or annual general meeting of the Company.

DIRECTORS' REPORT CONTINUED

INTERESTS IN THE COMPANY'S SHARES

At year end the following had declared a notifiable interest in the Company's voting rights:

	% of issued share capital as notified to the Company
Rathbone Investment Management	15.4%
Saba Capital Management, L.P.	11.0%
Hargreaves Lansdown Stockbrokers	5.5%
Interactive Investor Services Limited	5.2%
Lazard Asset Management LLC	5.0%

Since the year end, the Company has been notified that Saba Capital Management, L.P. has increased its holding in the Company to 12.0%. There have been no further changes notified to the Company.

REGULATORY COMPLIANCE THE ALTERNATIVE INVESTMENT FUND MANAGERS ("AIFM") DIRECTIVE

The AIFM is required to provide portfolio management and risk management. In accordance with the AIFM's agreement it is also required to provide administration, accounting and company secretarial services to the Company. The Company has appointed HIML as its AIFM, to undertake these functions on its behalf.

AIFMs are obliged to publish certain information for investors and prospective investors, which may be found either in this annual report or on the Company's website. Any information on remuneration not already disclosed in the remuneration report will be provided to investors on request.

The AIFMD requires an annual disclosure of 'leverage'. On a 'gross' basis, this is 0.99 against a maximum of 2.00 (2022 – 0.98: 2.00) and on a 'commitment' basis, 1.00 against a maximum of 2.00 (2022 – 1.00: 2.00).

THE MODERN SLAVERY ACT 2015

The Company falls outside the scope of the Modern Slavery Act and is therefore not required to make a slavery and human trafficking statement. Nevertheless it requires all of its suppliers in the scope of the Modern Slavery Act to confirm compliance.

PAYMENT TO SUPPLIERS

The Company is a signatory to the Prompt Payment Code, which enshrines a 30-day payment term as a norm.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that so far as each of them 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.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, is willing to continue in office. Resolutions proposing the reappointment of PricewaterhouseCoopers LLP and authorising the Audit Committee to determine its remuneration for the ensuing year will be proposed at the AGM.

ANNUAL GENERAL MEETING ('AGM')

The following information to be discussed at the forthcoming AGM is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held at 11.30am on 23 April 2024 at the Company's registered office, 10-11 Charterhouse Square, London, EC1M 6EE. The information below is an explanation of the special business to be proposed at the 2024 AGM.

SPECIAL RESOLUTION 10: BUY BACK OF THE COMPANY'S ORDINARY SHARES

Resolution 10 is to renew the authority for the Company to purchase its own shares up to 14.99% of the Company's issued share capital as at the date of the AGM for cancellation, subject to the restrictions referred to in the notice of AGM (equivalent to 8,289,441 ordinary shares as at 21 February 2024). The Authority will expire at the conclusion of the AGM to be held in 2025. The board will only utilise this authority when they believe it to be in the interest of shareholders to do so.

SPECIAL RESOLUTION 11: GENERAL MEETING NOTICE PERIOD

The Companies Act 2006 and the Company's Articles of Association provide that all General Meetings, other than AGMs, can be called on 14 days' notice. One of the requirements of the Shareholder Rights Directive is that all General Meetings are to be held on 21 clear days' notice, unless shareholders agree otherwise. The board are therefore seeking authority at the forthcoming AGM to seek authority to call general meetings, other than an annual general meeting, on clear 14 days' notice. This authority would only be used if the board believes it is in the best interests of shareholders as a whole to convene a general meeting quickly in exceptional circumstances.

The directors believe that the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions. The directors intend to vote their own shareholdings in favour.

On behalf of the board

ANDREW JOY
CHAIRMAN
21 February 2024

DIRECTORS' REMUNERATION REPORT

1. CHAIRMAN'S ANNUAL STATEMENT

Dear Shareholder

I present below the Company's remuneration report for the year ended 31 December 2023.

Our remuneration policy (see section 2 below) was approved by shareholders at the 2023 AGM. The policy is set out below. In accordance with statute, the remuneration policy must be put to shareholders for approval every three years and the board must only operate in accordance with the approved policy during the three-year cycle, unless shareholder approval is sought to amend the policy. Accordingly, the remuneration policy is due to be put to shareholders at the AGM to be held in 2026.

I confirm that the board has complied with the 2023 policy during the year ended 31 December 2023. The current annual fee rate paid to directors, and the amounts to be used to determine the maximum total increase allowable under the policy on directors' fees, are detailed in the table below:

Role	Fee Rate from 1 July 2023 £	Fee Rate from 1 July 2022 £	Percentage Increase for the year %
Chairman	42,900	42,900	0%
Audit Committee Chair	34,650	33,000	5%
Senior Independent Director	32,340	30,800	5%
Director	29,400	28,000	5%

In reviewing the level of fees in July 2023 the board took into consideration market data on the level of fees paid to investment trust non-executive directors, with particular focus on other trusts within its peer group and the technology sector, and agreed that it was appropriate to increase fees for all directors, other than the chairman, to bring them more into line with the median level paid in the sector.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The independent auditor's opinion is included in their report on pages 55 to 60.

When considering directors' fees, the board did not appoint an external adviser during the year. No payments were made to former directors during the year, or to any director for loss of office. No element of directors' remuneration is attributable to share price growth.

SCOPE AND RESPONSIBILITY

As the Company has no employees and no executive directors, the policy relates only to the non-executive directors.

2. COMPANY'S REMUNERATION POLICY

The policy is that the remuneration of directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain directors of appropriate quality and experience. It should also reflect the experience of the board as a whole and be fair and comparable to that of other investment trusts that are similar in size. The policy will continue in force (subject to shareholder approval) until the AGM in 2026. The board will take account of any views expressed by shareholders in formulating this policy.

The board may amend the levels of remuneration paid to individual directors within the parameters of this policy.

Component	Commentary
Basic fee arrangement	Fees paid to directors are determined within an aggregate limit set out in the Company's articles of association which currently stands at £250,000 per annum. There is no separate remuneration committee and the board as a whole considers changes to directors' fees from time to time. The company secretary provides advice and comparative information when the board considers the level of directors' fees. Under the terms of the directors' appointment letters, there is no notice period and no provision for compensation upon early termination of appointment.
Benefits	None
Pension arrangements	None
Bonus arrangements	None

DIRECTORS' REMUNERATION REPORT CONTINUED

3. ANNUAL DIRECTORS' REMUNERATION REPORT FOR THE YEARS ENDING 31 DECEMBER 2023, 31 DECEMBER 2022, 31 DECEMBER 2021 AND 31 DECEMBER 2020 (AUDITED)

The single total figure of remuneration for each director who served during the year ended 31 December 2023 and the prior three years is as follows:

	Notes	2023			2022			2023	2022	2021	2020
		Fees £	Taxable expenses ⁶ £	Total £	Fees £	Taxable expenses ⁶ £	Total £	%	Percentage change of basic fees ⁷		%
Andrew Joy	1	38,270	–	38,270	7,000	–	7,000	446.7	n/a	n/a	n/a
Tom Black	2	12,705	184	12,889	41,245	969	42,214	n/a	13.8	47.9	5.4
Stephanie Eastment		33,825	209	34,034	32,550	–	32,550	3.9	4.8	8.0	8.5
Henrietta Marsh	3	28,700	–	28,700	27,125	–	27,125	5.8	5.9	4.6	206.7
Karl Sternberg		28,700	–	28,700	27,125	–	27,125	5.8	5.9	4.6	5.4
James Will	4	31,570	1,522	33,092	30,275	1,176	31,451	4.3	10.6	11.7	5.4
Priya Guha	5	1,530	–	1,530	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total		175,300	1,915	177,215	165,320	2,145	167,465				

Notes:

- The 446.7% increase in 2023 for Andrew Joy arose mainly from his appointment part way through the year as a director on 1 October 2022 and appointment as chairman on 18 April 2023.
- Tom Black resigned on 18 April 2023 and thus a meaningful 2023 percentage change figure cannot be calculated. The 47.9% increase in 2021 arose mainly from his appointment as chairman on 1 March 2021.
- The 206.7% increase in 2020 for Henrietta Marsh reflects her appointment as a non-executive director in 2019.
- The 11.7% increase in 2021 for James Will arose mainly from his appointment as SID on 20 April 2021 and introduction of a higher fee for the SID role on 1 July 2021 to reflect the extra responsibility and work of this role. The 10.6% increase in 2022 reflects his appointment as SID in the previous year as well as an increase in fees in 2022 of 3.5% as previously reported.
- Priya Guha was appointed as a director on 13 December 2023. No percentage increases are therefore shown.
- Taxable expenses incurred by the board in carrying out their duties as directors of the Company; normally travel costs to attend board meetings.
- The Companies (Directors Remuneration Policy and Directors Remuneration Report) Regulations 2019 require the annual percentage change to be shown for five years in respect of each Director from the introduction of the regulations, but not before 2019. These fees exclude taxable benefits which could vary substantially as they reflect expenses incurred whilst carrying out board duties.

The table above omits other columns set out in the relevant regulations as the Company does not make payments of other types, such as pension related-benefits or performance-related pay.

Board meetings are normally held at the Company's registered office, however, during the pandemic they were held remotely. Directors are entitled to claim travel expenses and other reasonable expenses in carrying out their duties as Directors of the Company. The Company has entered into a PAYE settlement agreement with HMRC under which the grossed up expenses detailed above are accounted for directly with HMRC.

DIRECTORS' INTERESTS (AUDITED)

Directors' shareholdings and interests (beneficial unless stated) at the year end were as follows:

Interest as at 31 December	2023	2022
Andrew Joy	6,000	6,000
Stephanie Eastment*	3,200	3,200
Henrietta Marsh	1,000	1,000
Karl Sternberg	10,826	10,826
James Will	6,000	6,000
Priya Guha	–	n/a

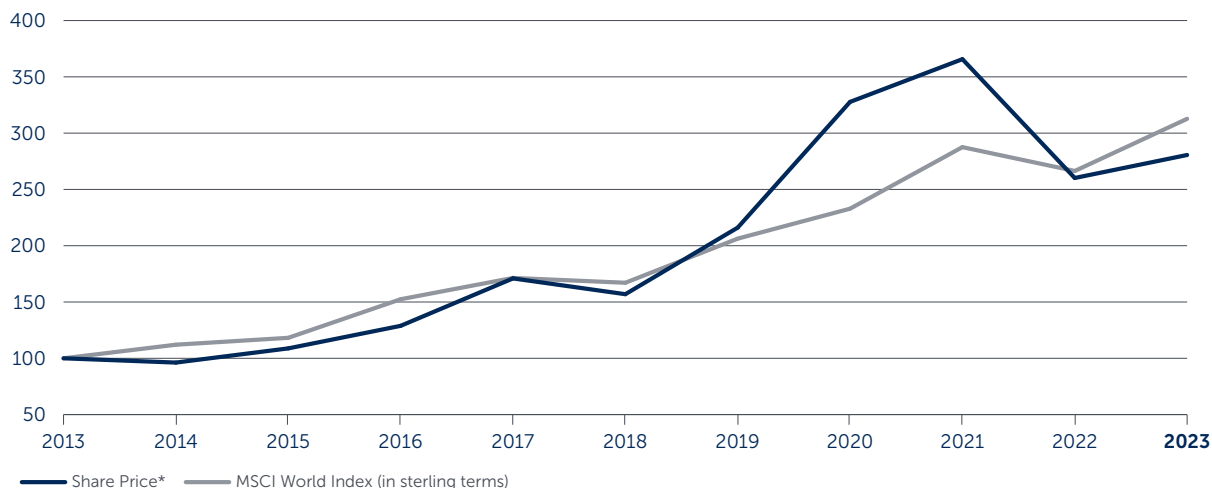
* 1,500 held non-beneficially; shares held by connected person.

There have been no changes to any of the directors' share interests in the period from 1 January 2024 to the date of this report.

COMPANY PERFORMANCE

The graph below compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the MSCI World Index (in sterling terms). This index was chosen for comparison purposes as it is the most widely used global equity index.

HERALD'S SHARE PRICE AND MSCI WORLD INDEX (IN STERLING TERMS)* (FIGURES HAVE BEEN REBASED TO 100 AT 31 DECEMBER 2013)



Source: LSEG Data & Analytics.

* Total return (assuming all dividends are reinvested).

RELATIVE SPEND ON FEES

The following table shows the total amount spent on payments to directors with a comparator to last year, along with total distributions to shareholders by way of dividend or (where applicable) share buy-back or other distributions. There are no other significant distributions, payments or other uses of the Company's profit or cash flow that the board feels are relevant to assist the understanding of the relating spend on fees.

	2023 £'000	2022 £'000
Total spend – directors' fees	175	165
Total distributed to shareholders – dividends	–	–
– share buybacks	107,420	50,302

VOTING ON REMUNERATION MATTERS

At the AGM on 18 April 2023 the resolution to receive and approve the directors' remuneration report for the year ended 31 December 2022 received the following votes: for – 99.93% (31,672,751 votes); against – 0.07% (21,271 votes). 5,755 votes were withheld.

The remuneration policy was last approved by shareholders on 18 April 2023 with 99.93% of votes in favour (31,668,834 votes); 0.07% votes against (23,373 votes). 7,570 votes were withheld.

The directors' annual remuneration report set out above (section 3) was approved by the board of directors on 21 February 2024 and signed on its behalf by

ANDREW JOY
CHAIRMAN

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.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 of 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Company will continue in business.

The directors are responsible for the keeping of 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 and the Directors' Remuneration Report 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 have delegated responsibility to the Manager for the maintenance and integrity of the Company's page of the Manager's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The work carried out by the auditor does not involve any consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Each of the directors, whose names and functions are listed on page 42 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the annual report and financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces and the Directors' Report contains those matters required to be disclosed by applicable law; and
- they consider that the annual report and financial statements, 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.

On behalf of the board

ANDREW JOY
CHAIRMAN
21 FEBRUARY 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERALD INVESTMENT TRUST PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Herald Investment Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report & financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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.

INDEPENDENCE

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

OUR AUDIT APPROACH

CONTEXT

The Company is a standalone Investment Trust Company and engages Herald Investment Management Limited (the 'AIFM') to manage its assets.

OVERVIEW

Audit scope

- We conducted our audit of the financial statements using information from AIFM, Apex Listed Companies Services (UK) Limited (the 'Company Secretary') and The Bank of New York Mellon (International) Limited (the 'Depositary, Custodian and Administrator').
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the AIFM referred to above, and the industry in which the Company operates.

Key audit matters

- Valuation and existence of investments
- Income from investments

Materiality

- Overall materiality: £12,450,000 (2022 – £13,000,000) based on approximately 1% of Net Assets.
- Performance materiality: £9,337,500 (2022 – £9,750,000).

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF HERALD INVESTMENT TRUST PLC

These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Valuation and existence of investments</p> <p>Refer to Audit Committee Report, Accounting Policies and Notes to the Financial Statements.</p> <p>The investment portfolio at 31 December 2023 comprised of quoted investments of £1,185.5m and £15.1m of unquoted investments. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the quoted investments by agreeing the prices used in the valuation to independent third-party sources.</p> <p>For a sample of unquoted investments, we assessed management's methodology for determining the fair value of the investments is consistent with the International Private Equity and Venture Capital Guidelines, agreed the inputs into the valuation to third party sources (such as financial statements of the issuer, investor reports and the instrument terms) and re-performed calculations to confirm their arithmetical accuracy.</p> <p>We tested the existence of all investments by agreeing the holdings of all investments to an independent confirmation from the Depositary, The Bank of New York Mellon (International) Limited as at 31 December 2023.</p> <p>No material misstatements were identified from this testing.</p>
<p>Income from investments</p> <p>Refer to Accounting Policies and Notes to the Financial Statements.</p> <p>ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company.</p> <p>We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the "AIC SORP").</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.</p> <p>We understood and assessed the design and implementation of key controls surrounding income recognition.</p> <p>The gains and losses on investments held at fair value comprise realised and unrealised gains and losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see valuation and existence of investment key audit matter), together with testing of the reconciliation of opening and closing investments and agreeing the year end holdings to independent confirmation. For realised gains and losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains and losses.</p> <p>In addition, we tested dividend receipts by agreeing the dividend rates from all investments to independent third party sources.</p> <p>We tested the allocation and presentation of dividend income, including special dividends, between income and capital by agreeing treatments to third party sources.</p> <p>To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all dividends during the year.</p> <p>No material misstatements were identified from this testing.</p>

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

THE IMPACT OF CLIMATE RISK ON OUR AUDIT

In planning our audit, we made enquiries of the Directors and the Investment Manager to understand the extent of the potential impact of climate change risk on the Company's financial statements. The Directors and Investment Manager concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company's investment portfolio is mainly made up of level 1 quoted securities which are valued at fair value based on market prices along with some unquoted securities. We found this to be consistent with our understanding of the Company's investment activities.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall company materiality	£12,450,000 (2022 – £13,000,000).
How we determined it	Approximately 1% of Net Assets
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. This benchmark provides an appropriate and consistent year on year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022 – 75%) of overall materiality, amounting to £9,337,500 (2022 – £9,750,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £622,500 (2022 – £650,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses and debt repayments, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implication of significant reductions in Net Asset Value (NAV) as a result of market performance on the ongoing ability of the Company to operate.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF HERALD INVESTMENT TRUST PLC

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 12 months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have 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.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statements 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. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

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 and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, 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 and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

AUDITORS' 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 auditors' 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.

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF HERALD INVESTMENT TRUST PLC

revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- discussing with the AFM and the audit committee, including specific enquiry of known or suspected instances of non-compliance with laws and regulation and fraud where applicable;
- reviewing relevant meeting minutes, including those of the Audit Committee;
- assessing the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular manual year end journal entries posted during the preparation of the financial statements; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

OTHER REQUIRED REPORTING COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the Directors on 1 November 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2019 to 31 December 2023.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
21 February 2024

Financial Statements

64	Statement of Comprehensive Income
65	Statement of Financial Position
66	Statement of Changes in Equity
67	Statement of Cash Flows
68	Notes to the Financial Statements



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Gains/(losses) on investments	9	–	45,419	45,419	–	(409,797)	(409,797)
(Losses)/gains on foreign exchange		–	(1,316)	(1,316)	–	4,144	4,144
Income	2	17,926	–	17,926	15,326	–	15,326
Investment management fee	3	(12,375)	–	(12,375)	(13,653)	–	(13,653)
Other administrative expenses	4	(966)	(8)	(974)	(996)	(9)	(1,005)
Profit/(loss) before taxation		4,585	44,095	48,680	677	(405,662)	(404,985)
Taxation	6	(559)	–	(559)	(542)	–	(542)
Profit/(loss) after taxation		4,026	44,095	48,121	135	(405,662)	(405,527)
Profit/(loss) per ordinary share (basic and diluted)	8	6.79p	74.35p	81.14p	0.21p	(641.23)p	(641.02)p

There is no final dividend proposed (2022 – nil). More information on dividend distributions can be found in note 7 on page 71.

The total column of this statement is the profit and loss account of the Company, prepared in accordance with UK Accounting Standards.

The profit/(loss) after taxation is the total comprehensive income and therefore no additional statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

The accompanying notes on pages 68 to 79 are an integral part of this statement.

STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	1,200,639	1,224,513
Current assets			
Cash and cash equivalents		42,285	80,442
Other receivables	10	4,022	1,308
		46,307	81,750
Current liabilities			
Other payables	11	(1,189)	(1,215)
		(1,189)	(1,215)
Net current assets		45,118	80,535
TOTAL NET ASSETS		1,245,757	1,305,048
Capital and reserves			
Called up share capital	12	14,034	15,543
Share premium	13	73,738	73,738
Capital redemption reserve	13	7,918	6,409
Capital reserve	13	1,154,062	1,217,387
Revenue reserve	13	(3,995)	(8,029)
TOTAL SHAREHOLDERS' FUNDS		1,245,757	1,305,048
NET ASSET VALUE PER ORDINARY SHARE (including current year income)	14	2,219.23p	2,099.05p
NET ASSET VALUE PER ORDINARY SHARE (excluding current year income)	14	2,212.06p	2,098.83p

The financial statements of Herald Investment Trust plc (company registration number 02879728) were approved by the board of directors and authorised for issue on 21 February 2024 and signed on its behalf by

ANDREW JOY
CHAIRMAN

The accompanying notes on pages 68 to 79 are an integral part of this statement.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Called up Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total Shareholders' funds £'000
Shareholders' funds at 1 January 2023		15,543	73,738	6,409	1,217,387	(8,029)	1,305,048
Profit after taxation		–	–	–	44,095	4,026	48,121
Unclaimed dividends	13	–	–	–	–	8	8
Shares purchased for cancellation	12	(1,509)	–	1,509	(107,420)	–	(107,420)
Shareholders' funds at 31 December 2023		14,034	73,738	7,918	1,154,062	(3,995)	1,245,757

For the year ended 31 December 2022

	Notes	Called up Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total Shareholders' funds £'000
Shareholders' funds at 1 January 2022		16,189	73,738	5,763	1,673,351	(8,164)	1,760,877
(Loss)/profit after taxation		–	–	–	(405,662)	135	(405,527)
Shares purchased for cancellation	12	(646)	–	646	(50,302)	–	(50,302)
Shareholders' funds at 31 December 2022		15,543	73,738	6,409	1,217,387	(8,029)	1,305,048

The accompanying notes on pages 68 to 79 are an integral part of this statement.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flow from operating activities					
Profit/(loss) before finance costs and taxation		48,680		(404,985)	
Adjustments for (gains)/losses on investments		(45,419)		409,797	
Purchase of investments		(169,090)		(191,478)	
Sale of investments		237,981		244,408	
Increase in receivables		(817)		(144)	
Decrease in payables		(26)		(315)	
Amortisation of fixed income book cost		(1,516)		(507)	
Effect of foreign exchange rate changes		1,316		(4,144)	
Overseas tax on overseas income		(538)		(583)	
Net cash inflow from operating activities			70,571		52,049
Cash flow from financing activities					
Shares purchased for cancellation	12	(107,420)		(50,302)	
Unclaimed dividends	13	8		–	
Net cash outflow from financing activities			(107,412)		(50,302)
Net (decrease)/increase in cash and cash equivalents			(36,841)		1,747
Cash and cash equivalents at start of the year			80,442		74,551
Effect of foreign exchange rate changes			(1,316)		4,144
Cash and cash equivalents at the end of the year			42,285		80,442
Comprised of:					
Cash and cash equivalents			42,285		80,442

Cash flow from operating activities includes interest received of £2,663,000 (2022 – £1,078,000) and dividends received of £12,235,000 (2022 – £12,924,000).

As the Company did not have any long term debt at both the current and prior year ends, no reconciliation of the net debt position is presented.

The accompanying notes on pages 68 to 79 are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the year to 31 December 2023 have been prepared on the basis of the accounting policies set out below. The Company has applied 'FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), which forms part of Generally Accepted Accounting Practice ('UK GAAP') issued by the Financial Reporting Council.

(A) ACCOUNTING CONVENTION

The financial statements are prepared on the assumption that approval as an investment trust will be retained.

The financial statements are presented in sterling, which is the Company's functional and presentational currency and the currency in which the Company's share capital and expenses, as well the majority of its assets and liabilities, are denominated.

The financial statements have been prepared in accordance with The Companies Act 2006, FRS 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (AIC) in July 2022.

In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the statement of comprehensive income.

Based on the information available to the Directors at the time of this report, including the results of stress tests, the Company's cash balances, and the liquidity of the Company's investments, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to adopt the going concern basis in preparing these financial statements.

The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental reporting is required.

(B) FINANCIAL INSTRUMENTS

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

The Company has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full in respect of the financial instruments.

(C) INVESTMENTS

Purchases and sales of investments are accounted for on a trade date basis.

All investments are at fair value through profit or loss upon initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid value. Investments on the Alternative Investment Market are included at their bid value. The fair value of unlisted investments uses valuation techniques determined by the directors on the basis of latest information in line with the relevant principles of the International Private Equity and Venture Capital Valuation Guidelines.

Gains and losses arising from changes in the unrealised fair value and on the sale of investments are taken to capital reserve through the statement of comprehensive income.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents may comprise cash as well as cash equivalents (including short-term deposits and money market funds which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value). Investments are regarded as cash equivalents if they meet all of the following criteria: highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond.

(E) INCOME

Dividend income is accounted for when the entitlement to the income is established (normally on the ex-dividend date). Franked income is stated net of tax credits. Foreign dividends that suffer withholding tax at source are shown gross, with the corresponding tax charge in the statement of comprehensive income. Unfranked investment income includes the taxes deducted at source. Interest from fixed interest securities is recognised on an effective yield basis. Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(F) EXPENSES

All expenses are accounted for on an accruals basis and are charged through the revenue column of the statement of comprehensive income except where they relate directly to the acquisition or disposal of an investment (transaction costs) and are taken to the statement of comprehensive income as a capital item.

(G) FINANCE COSTS

Finance costs are accounted for on an effective interest basis and are charged through the revenue column of the statement of comprehensive income.

(H) DEFERRED TAXATION

Deferred taxation is provided on all timing differences which have originated but not reversed at the statement of financial position date, calculated on an undiscounted basis, and based on enacted tax rates relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(I) FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Exchange differences of a revenue or capital nature are taken to the revenue or capital reserves respectively through the statement of comprehensive income.

(J) USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the Company to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, that have had a significant effect on the amounts recognised in the financial statements, other than those involving estimations in the valuations of unquoted investments. The nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The estimates relate to the investments where there is no appropriate market price i.e. the unquoted investments. Whilst the board considers the methodologies and assumptions adopted in the valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed.

As at 31 December 2023, the Company does not have any single key assumption concerning the future, or other key sources of estimation uncertainty, that, in the Directors' opinion has a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year.

2. INCOME

	2023 £'000	2022 £'000
Dividend income from investments		
UK dividends from listed investments	4,184	3,499
UK dividends from unlisted investments (inc AIM)	3,273	4,173
Overseas dividends from UK-listed and AIM companies	394	384
Overseas dividend income	5,179	5,375
	13,030	13,431
Interest income from equity investments		
Income from unlisted (inc AIM) UK convertible bonds	535	363
Income from unlisted US convertible bonds	85	49
	620	412
Fixed interest		
UK interest from government securities	312	391
Overseas interest from government securities	2,368	648
	2,680	1,039
Other income		
Deposit interest	1,596	444
	1,596	444
Total income	17,926	15,326

Included within dividend income are special dividends of £964,000 (2022 – £655,000).

Included within deposit interest is interest received of £1,598,000 (2022 – £449,000), and interest paid of £2,000 (2022 – £5,000).

3. INVESTMENT MANAGEMENT FEE

	2023 £'000	2022 £'000
Investment management fee	12,375	13,653

Herald Investment Management Limited is appointed investment manager under a management agreement which is terminable on 12 months' notice. The management fee is 1.0% per annum of the Company's net asset value (excluding current year net revenue) based on middle market prices up to £1.25bn and 0.8% per annum on amounts beyond this level. The management fee is levied on all assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2023

4. OTHER ADMINISTRATIVE EXPENSES

	2023 £'000	2022 £'000
Custodian's fees	97	105
Registrar's fees	38	34
Directors' fees	175	165
Auditor's fees – statutory audit*	46	44
Depository's fees	225	261
Miscellaneous expenses	385	387
	966	996

* Auditor's fees excludes VAT. The VAT is included in miscellaneous expenses.

Other capital administration expenses of £8,000 (2022 – £9,000) consist of custodian transaction charges.

5. FINANCE COSTS OF BORROWING

There were no finance costs of borrowing during the year (2022 – £nil).

6. TAXATION

	2023 £'000	2022 £'000
Analysis of charge in year		
Overseas taxation	559	542
Factors affecting tax charge for year		
The tax charge for the year is lower (2022 – higher) than the standard rate of corporation tax in the UK of 23.5% (2022 – 19.00%). The differences are explained below:		
Profit/(loss) before taxation	48,680	(404,985)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 23.5% (2022 – 19.00%)	11,440	(76,947)
Effects of:		
Capital (gains)/losses not taxable	(10,674)	77,862
UK dividends not subject to UK tax	(1,752)	(1,458)
Overseas dividends not subject to UK tax	(1,311)	(1,093)
Capital losses/(gains) on foreign exchange movements not subject to tax	311	(789)
Disallowable expenses	2	2
Overseas withholding tax	559	542
Movement in excess management expenses	1,984	2,423
Total tax charge for the year	559	542

As an investment trust, the Company's capital gains are not taxable.

There is no UK corporation tax charge at 31 December 2023 or 31 December 2022 as the Company has unrelieved management expenses which are available to be carried forward. The tax charge for 31 December 2023 and 2022 comprises overseas withholding taxes incurred.

At 31 December 2023, the Company had a potential deferred tax asset of £38m (2022 – £36m) on taxable losses of £154m (2022 – £145m) which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2022 – 25%).

7. DIVIDENDS ON ORDINARY SHARES

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the year:				
Previous year's final	nil	nil	nil	nil

Set out below are the total dividends payable in respect of the financial year, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered. As the revenue reserve is in deficit, there is no profit available for distribution for the year ended 31 December 2023 (2022 – £nil).

	2023	2022	2023 £'000	2022 £'000
Amounts paid and proposed per ordinary share in respect of the year:				
Proposed final dividend	nil	nil	nil	nil

8. NET RETURN PER ORDINARY SHARE

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
	6.79p	74.35p	81.14p	0.21p	(641.23p)	(641.02p)

Revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation respectively, revenue profit of £4,026,000 (2022 – revenue profit of £135,000), capital profit of £44,095,000 (2022 – capital loss of £405,662,000) and total profit of £48,121,000 (2022 – total loss of £405,527,000) and on 59,308,199 ordinary shares (2022 – 63,262,344) being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

9. FIXED ASSET INVESTMENTS

	2023 £'000	2022 £'000
Financial assets designated at fair value through profit or loss on initial recognition		
Listed UK – equity investments – London Stock Exchange	149,430	171,127
– AIM	341,490	391,485
Listed overseas – equity investments	633,869	570,524
Unquoted	15,085	13,737
Total equity investments	1,139,874	1,146,873
Government debt securities	60,765	77,640
Total investments in financial assets at fair value through profit or loss	1,200,639	1,224,513

See Detailed List of Investments on pages 21 to 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2023

9. FIXED ASSET INVESTMENTS CONTINUED

	Listed in UK £'000	Listed overseas £'000	AIM £'000	Unquoted £'000	2023 Total £'000	2022 Total £'000
Cost of investments at 1 January	120,714	439,147	268,586	14,682	843,129	790,551
Investment holding gains/(losses) 1 January	95,222	164,208	122,899	(945)	381,384	892,931
Fair value of investments at 1 January	215,936	603,355	391,485	13,737	1,224,513	1,683,482
Movements in the year:						
Purchases at cost	8,511	140,171	17,870	2,538	169,090	191,478
Sales proceeds	(59,383)	(154,944)	(24,551)	(400)	(239,278)	(239,717)
–gains/(losses) on investments	(15,713)	105,236	(41,738)	(2,366)	45,419	(409,797)
Amortisation of fixed income book cost	79	1,437	–	–	1,516	507
Transferred from AIM to unquoted	–	–	(1,576)	1,576	–	–
Return of capital/capital special dividends	–	(621)	–	–	(621)	(1,440)
Fair value of investments at 31 December	149,430	694,634	341,490	15,085	1,200,639	1,224,513
Cost of investments at 31 December	83,246	462,605	249,547	18,396	813,794	843,129
Investment holding gains/(losses) 31 December	66,184	232,029	91,943	(3,311)	386,845	381,384
Fair value of investments at 31 December	149,430	694,634	341,490	15,085	1,200,639	1,224,513
Cost of investments sales	46,058	117,529	35,333	400	199,320	137,967
Gains/(losses) on investments						
Net realised gains/(losses) on sales	13,325	37,415	(10,782)	–	39,958	101,750
Investment holding gains/(losses)	(29,038)	67,821	(30,956)	(2,366)	5,461	(511,547)
	(15,713)	105,236	(41,738)	(2,366)	45,419	(409,797)

The Company received £239,278,000 (2022 – £239,717,000) from investments sold in the year. The book cost of these investments when they were purchased was £199,320,000 (2022 – £137,967,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The investments in the equity and fixed interest stocks of unlisted companies that the Company holds are not traded and as such the prices are more uncertain than those of more widely traded securities. The fair value of unlisted investments uses valuation techniques determined by the directors on the basis of latest information in line with the relevant principles of the International Private Equity and Venture Capital Valuation Guidelines as described in note 1(c). The fair value of unlisted investments at 31 December 2023 was £15,085,000 (2022 – £13,737,000) and the investment is not considered material in the context of these financial statements.

At 31 December 2023 the Company was the beneficial owner of 15.5% (2022 – 15.4%) of the ordinary share capital of HIML Holdings Limited. HIML Holdings Limited is incorporated in the United Kingdom and is the parent company of the Company's manager.

	2023 £'000	2022 £'000
Transaction costs		
Commission costs:		
Purchases	222	284
Sales	343	209
Total commission costs	565	493
Custody transaction costs	8	9
Other transaction costs	98	91
	671	593

10. OTHER RECEIVABLES

	2023 £'000	2022 £'000
Due within one year:		
Income accrued and prepayments	1,982	1,166
Sales for subsequent settlement	1,918	–
Taxation recoverable	122	142
	4,022	1,308

The carrying amount of other receivables is a reasonable approximation of fair value.

11. OTHER PAYABLES

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Other payables	1,189	1,215
	1,189	1,215

Included in other payables and accruals is £1,041,000 (2022 – £1,084,000) in respect of the investment management fee.

12. CALLED UP SHARE CAPITAL

	2023 Number	2023 £'000	2022 Number	2022 £'000
Allotted, called up and fully paid ordinary shares of 25p:				
Brought forward	62,173,223	15,543	64,754,112	16,189
Shares bought back and cancelled	(6,038,553)	(1,509)	(2,580,889)	(646)
Carried forward	56,134,670	14,034	62,173,223	15,543

At the AGM held on 18 April 2023 the Company's authority to buy back up to 14.99% of its issued share capital at that date was renewed. During the year to 31 December 2023 a total of 6,038,553 (2022 – 2,580,889) ordinary shares of 25p each with a nominal value of £1,509,638 (2022 – £645,222) were bought back and cancelled at a total cost of £107,420,000 (2022 – £50,302,000). This was 9.7% (2022 – 4.0%) of the ordinary shares in issue at the start of the year. At 31 December 2023 the Company had authority to buy back a further 4,673,594 ordinary shares. Under the provisions of the Company's articles share buy-backs are funded from the capital reserve.

13. CAPITAL AND RESERVES

	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000
At 1 January 2023	73,738	6,409	1,217,387	(8,029)
Shares purchased for cancellation	–	1,509	(107,420)	–
Gains on sales	–	–	39,958	–
Changes in investment holding gains	–	–	5,461	–
Other exchange differences	–	–	(1,316)	–
Custody transaction and capital legal costs	–	–	(8)	–
Profit after taxation	–	–	–	4,026
Unclaimed dividends	–	–	–	8
Balance at 31 December 2023	73,738	7,918	1,154,062	(3,995)
At 1 January 2022	73,738	5,763	1,673,351	(8,164)
Shares purchased for cancellation	–	646	(50,302)	–
Gains on sales	–	–	101,750	–
Changes in investment holding gains	–	–	(511,547)	–
Other exchange differences	–	–	4,144	–
Custody transaction and capital legal costs	–	–	(9)	–
Profit after taxation	–	–	–	135
Balance at 31 December 2022	73,738	6,409	1,217,387	(8,029)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2023

13. CAPITAL AND RESERVES CONTINUED

The share premium represents the premium above nominal value received by the Company on issuing shares net of cost. The share premium is non-distributable.

The capital redemption reserve represents the nominal value of shares bought back and cancelled and is non-distributable.

The capital reserve includes investment holding gains of £386,845,000 (2022 – gains of £381,384,000) as disclosed in note 9. The capital reserve is non-distributable except for the buy back of shares.

The revenue reserve represents cumulative net revenue retained after payment of any dividends and is the only reserve from which dividends can be funded. Dividends can only be paid when this reserve is in surplus.

14. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the articles of association were as follows:

	2023 per share (pence)	2022 per share (pence)	2023 £'000	2022 £'000
Total net assets (including current year revenue)	2,219.23	2,099.05	1,245,757	1,305,048
Less net revenue profit after taxation	(7.17)	(0.22)	(4,026)	(135)
Total net assets (excluding current year revenue)	2,212.06	2,098.83	1,241,731	1,304,913

Net asset value per ordinary share is based on net assets as shown above and on 56,134,670 (2022 – 62,173,223) ordinary shares, being the number of ordinary shares in issue at each balance sheet date.

15. CONTINGENT LIABILITIES, GUARANTEES AND FINANCIAL COMMITMENTS

There were no contingent liabilities, guarantees or financial commitments at 31 December 2023 (2022 – nil).

16. CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital and reserves as detailed in notes 12 and 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 2, and shares may be repurchased as explained on page 46.

17. FINANCIAL INSTRUMENTS

In accordance with the corporate objective of maximising capital appreciation the Company invests in securities on a worldwide basis. The Company makes use of gearing to achieve improved performance in rising markets. The Company's other financial instruments consist of cash and cash equivalents, short term debtors and creditors.

The main risks arising from the Company's financial instruments are:

A. MARKET RISK

- (i) Other price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movement;
- (ii) Interest rate risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates; and
- (iii) Foreign currency risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

B. CREDIT RISK

Being the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments held within the portfolio.

There were no past due nor impaired assets as of 31 December 2023 (2022 – nil).

The counterparties engaged with the Company are regulated entities and of high credit quality.

C. LIQUIDITY RISK

Being the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

These risks and the policies for managing them have been applied throughout the year and are summarised below. Further detail is contained in the strategic report on page 34.

A. MARKET RISK

(i) Other Price Risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the corporate objective. Listed securities held by the Company are valued at bid prices, whereas material unlisted investments are valued by the directors on the basis of the latest information in line with the relevant principles of the International Private Equity and Venture Capital Valuation Guidelines (Accounting Policy 1(c)). These valuations represent the fair value of the investments, see note 9 on pages 71 and 72.

A full list of the Company's investments is given on pages 21 to 28. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial or commercial sector and a review of the 20 largest equity investments by their aggregate market value, are shown on pages 16 to 20.

Other Price Risk Sensitivity

13.1% of the Company's total equity investments at 31 December 2023 (2022 – 14.9%) were listed on the main list of the London Stock Exchange and a further 30.0% (2022 – 34.1%) on AIM. The NASDAQ Stock Exchange accounts for 24.4% (2022 – 21.5%), New York Stock Exchange for 5.4% (2022 – 3.6%) and other stock exchanges or unlisted 27.1% (2022 – 25.9%). A 10% increase in equity investment prices at 31 December 2023 would have increased total net assets and profit & loss after taxation by £113,987,000 (2022 – £114,687,000). A decrease of 10% would have the exact opposite effect. The portfolio does not target any exchange as a comparative index, and the performance of the portfolio has a low correlation to generally used indices.

The shares of Herald Investment Trust plc have an underlying NAV per share. The NAV per share of Herald Investment Trust plc fluctuates on a daily basis. In addition, there is volatility in the discount/premium the share price has to NAV.

(ii) Interest Rate Risk

The majority of the Company's assets are equity shares and other investments which neither pay interest nor have a maturity date. However, the Company does hold convertible bonds and Government bonds, the interest rate and maturity dates of which are detailed below. Interest is accrued on cash balances at a rate linked to the UK base rate.

The interest rate risk profile of the financial assets and financial liabilities at 31 December was:

FINANCIAL ASSETS

	2023 Fair value £'000	2023 Weighted average interest rate/ interest rate	2023 Weighted average period until maturity/ maturity date	2022 Fair value £'000	2022 Weighted average interest rate/ interest rate	2022 Weighted average period until maturity/ maturity date
Fixed rate:						
US bonds	60,765	2.7%	0.3 years	32,831	1.3%	0.3 Years
UK bonds	–	–	–	44,809	0.8%	0.3 Years
Overseas convertible bonds	549	18.0%	1.1 years	827	5.7%	1.2 Years
UK convertible bonds	2,336	9.1%	0.9 years	2,000	9.0%	1.1 Years
Floating rate cash:						
Non-sterling	27,877	3.7%		49,675	0.5%	
Sterling	14,408	3.4%		30,767	0.6%	
	42,285			80,442		

The benchmark rates which determine the interest payments received on cash balances are the Bank of England base rate, the European Central Bank rate and the United States Federal Reserve rate.

Interest rate risk sensitivity

(a) Cash

An increase of 100 basis points in interest rates as at 31 December 2023 would have a direct effect on net assets. Based on the position at 31 December 2023, over a full year, an increase of 100 basis points would have increased the profit & loss after taxation by £423,000 (2022 – £804,000) and would have increased the net asset value per share by 0.75p (2022 – 1.29p). The calculations are based on the cash balances as at the respective balance sheet dates and are not representative of the year as a whole.

(b) Fixed rate bonds

An increase of 100 basis points in bond yields as at 31 December 2023 would have decreased total net assets and profit & loss after taxation by £195,000 (2022 – £224,000) and would have decreased the net asset value per share by 0.35p (2022 – 0.36p).

A decrease in bond yields would have had an equal and opposite effect. The loan stocks having an element of equity risk are not included in this analysis as given the nature of the businesses and the risk profile of their balance sheets; they are considered to have more equity like characteristics.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2023

17. FINANCIAL INSTRUMENTS CONTINUED

(iii) Foreign Currency Risk

The Company's reporting currency is sterling, but investments are made in overseas markets as well as the United Kingdom and the asset value can be affected by movements in foreign currency exchange rates.

Furthermore many companies trade internationally both through foreign subsidiaries, and through exports. The greatest foreign currency risk occurs when companies have a divergence in currencies for costs and revenues. A much less risky exposure to currency is straight translation of sales and profits. The list of investments on pages 21 to 28 breaks down the portfolio by geographic listing. However the location of the stock market quote only has a limited correlation to the costs, revenues and even activities of those companies, and so this note should not be regarded as a reliable guide to the sensitivity of the portfolio to currency movements. For example, the holdings in the portfolio that have suffered most from US\$ weakness are UK companies with dollar revenues and sterling costs.

The Company does not hedge the sterling value of investments that are priced in other currencies. Overseas income is subject to currency fluctuations. The Company does not hedge these currency fluctuations because it is impossible to quantify the effect for the reasons stated above. However, from time to time the manager takes a view by holding financial assets or liabilities in overseas currencies.

Exposure to currency risk through asset allocation by currency of listing is indicated below:

At 31 December 2023

	Investments £'000	Cash and deposits £'000	Other receivables and payables £'000	Net exposure £'000
US dollar	403,795	10,942	787	415,524
Euro	112,813	2,777	76	115,666
Taiwan dollar	43,155	14,158	9	57,322
Japanese yen	47,257	–	34	47,291
Norwegian krone	22,988	–	–	22,988
Australian dollar	22,182	–	–	22,182
Korean won	18,388	–	119	18,507
Other overseas currencies	26,342	–	36	26,378
Exposure to currency risk on translation of valuations of securities listed in overseas currencies	696,920	27,877	1,061	725,858
Sterling	503,719	14,408	1,772	519,899
	1,200,639	42,285	2,833	1,245,757

At 31 December 2022

	Investments £'000	Cash and deposits £'000	Other receivables and payables £'000	Net exposure £'000
US dollar	321,822	27,885	118	349,825
Euro	98,470	6,106	93	104,669
Taiwan dollar	38,340	15,684	50	54,074
Japanese yen	50,047	–	55	50,102
Australian dollar	26,226	–	–	26,226
Norwegian krone	24,331	–	–	24,331
Korean won	16,156	–	133	16,289
Other overseas currencies	29,058	–	31	29,089
Exposure to currency risk on translation of valuations of securities listed in overseas currencies	604,450	49,675	480	654,605
Sterling	620,063	30,767	(387)	650,443
	1,224,513	80,442	93	1,305,048

Foreign currency risk sensitivity

At 31 December 2023, had sterling strengthened by 10% (2022 – 10%) in relation to all currencies, with all other variables held constant, total net assets and profit & loss after taxation would have decreased by the amounts shown below based on the balances denominated in foreign currency. A 10% (2022 – 10%) weakening of sterling against all currencies, with all other variables held constant, would have had the exact opposite effect on the financial statement amounts. However, companies whose cost base diverges in currency terms from its sales will in the longer term have a significantly greater effect on valuation than simple translation. In the short term investee companies generally cover their currency exposure to varying degrees. There is insufficient publicly disclosed information to quantify this, but in the long term this effect is expected to dwarf simple translation of foreign listings in terms of both risk and reward, because many investee companies trade globally. Furthermore, the country of listing is not necessarily an indication of the geography of some or even any operational activities for investee companies. The Manager does not use financial instruments to protect against currency movements. From time to time financial leverage has been made using debt in overseas currencies.

	2023 £'000	2022 £'000
US dollar	41,552	34,983
Euro	11,567	10,467
Taiwan dollar	5,732	5,407
Japanese yen	4,729	5,010
Norwegian krone	2,299	2,433
Australian dollar	2,218	2,623
Korean won	1,851	1,629
Other overseas currencies	2,638	2,909
	72,586	65,461

B. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment which it has entered into with the Company. The manager monitors counterparty risk on an ongoing basis.

The Company has investments in convertible loan stocks that have an element of equity. These securities are viewed as having a risk profile similar to the equity holdings. This is because the convertibles held are in nascent technology companies that may be loss making and may have weak balance sheets. For this reason these stocks are categorised as equity holdings and for risk management purposes excluded from the credit risk analysis.

Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2023 £'000	2022 £'000
Fixed interest investments	60,765	77,640
Cash and cash equivalents	42,285	80,442
Sales for subsequent settlement	1,918	–
	104,968	158,082

During the year the maximum exposure in fixed interest investments was £75,518,000 (2022 – £85,394,000) and the minimum £38,735,000 (2022 – £27,013,000). The maximum exposure in cash was £79,533,000 (2022 – £91,114,000) and the minimum £23,504,000 (2022 – £50,164,000).

C. Liquidity Risk

The Company's policy with regard to liquidity is to provide a degree of flexibility so that the portfolio can be repositioned when appropriate and that most of the assets can be realised without an excessive discount to the market price.

Equity Securities

The Company's unlisted investments are not readily realisable, but these only amount to 1.2% of the Company's total assets at 31 December 2023 (2022 – 1.1%).

In practice, liquidity in investee companies is imperfect, particularly those with a market value of less than £100m. To reduce this liquidity risk it is the policy to diversify the holdings and generally to restrict the holding in any one company to less than 10% of the share capital of that company. Furthermore the guideline is for no single investment to account for more than 5% of the assets of the Company.

The market valuation of each underlying security gives an indication of value, but the price at which an investment can be made or realised can diverge materially from the bid or offer price depending on market conditions generally and particularly to each investment. 15.1% (£169m) (2022 – 13.9% (£158m)) of the listed equities in the portfolio are invested in stocks with a market capitalisation below £100m, where liquidity is expected to be more limited. If these stocks had on average a realisable value 20% below the bid price the value of the total fund would be adversely affected by 2.7% (2022 – 2.4%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2023

17. FINANCIAL INSTRUMENTS CONTINUED

Liquidity Risk Exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	2023 One year or less £'000	2022 One year or less £'000
Other payables	1,189	1,215
	1,189	1,215

Fair Value of Financial Instruments

The company's investments, as disclosed in the Company's balance sheet, are valued at fair value.

Nearly all of the Company's portfolio of investments are disclosed in the Level 1 category as defined in FRS 102.

Categorisation is based on the lowest level input that is significant to the fair value measure in its entirety.

The three levels set out in FRS102 follow:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The analysis of the valuation basis for the financial instruments based on the hierarchy as at 31 December is as follows:

At 31 December 2023

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Equity investments	1,124,789	–	9,813	1,134,602
Government debt securities	60,765	–	–	60,765
Convertible loan stocks	–	–	5,272	5,272
Total investments	1,185,554	–	15,085	1,200,639

At 31 December 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Equity investments	1,133,136	–	8,522	1,141,658
Government debt securities	77,640	–	–	77,640
Convertible loan stocks	–	–	5,215	5,215
Total investments	1,210,776	–	13,737	1,224,513

A reconciliation of fair value measurements in Level 3 is set out below:

At 31 December 2023

	£'000
Opening balance at 1 January 2023	13,737
Purchases	2,538
Sales	(400)
Total (losses)	
– on assets held at 31 December 2023	(2,366)
Assets transferred during the year	1,576
Closing balance at 31 December 2023	15,085

18. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

Under UK GAAP, the Company has identified the directors as related parties. The directors' emoluments and interests have been disclosed within the Directors' Remuneration Report on page 52 with additional disclosure in note 4. No other related parties have been identified.

The Company has agreements with HIML for the provision of management, accounting and administration services and promotional activities as disclosed in the Strategic Report on page 39. Details of transactions during the year are disclosed in notes 3 and 11.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Herald Investment Trust plc will be held at 10–11 Charterhouse Square, London EC1M 6EE on 23 April 2024 at 11.30 am for the following purposes:

To consider and, if thought fit, approve resolutions 1 to 9 as ordinary resolutions and resolutions 10 and 11 as special resolutions.

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, the Strategic Report and the Financial Statements and the Auditor's Report in respect of the year ended 31 December 2023.
2. To approve the Directors' Remuneration Report, other than the Company's Remuneration Policy, for the year ended 31 December 2023.
3. To re-elect Andrew Joy as a director of the Company.
4. To re-elect Stephanie Eastment as a director of the Company.
5. To re-elect Henrietta Marsh as a director of the Company.
6. To re-elect James Will as a director of the Company.
7. To elect Priya Guha as a director of the Company.
8. To reappoint PricewaterhouseCoopers LLP as independent auditor to the Company to hold office until the conclusion of the next annual general meeting at which financial statements are laid before the Company.
9. To authorise the audit committee to determine the remuneration of the independent auditor.

SPECIAL BUSINESS

10. That, the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued shares of 25p each in the capital of the Company in substitution for any existing authority under section 701 of the Act but without prejudice to any exercise of any such authority prior to the date hereof.

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 14.99% of the issued share capital on the date on which this resolution is passed;
 - (ii) the minimum price which may be paid for a share shall be 25p;
 - (iii) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than the higher of (a) 5% above the average mid closing price (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange;
 - (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the directors);
 - (v) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the annual general meeting of the Company to be held in 2025; and
 - (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.
11. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the annual general meeting in 2025.

On behalf of the board

Apex Listed Companies Services (UK) Limited
Company Secretary

Registered Office:
10–11 Charterhouse Square London EC1M 6EE
21 February 2024

NOTES

- As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes. You may not use any electronic address provided either in this notice or any related documents to communicate with the Company for any purpose other than those expressly stated.
- If you wish to appoint a proxy, you may do so either:
 - by logging on to www.signalshares.com and following the instructions; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 5 below.

You may request a hard copy form of proxy directly from the registrars, Link Group, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm Monday to Friday (excluding public holidays in England and Wales). In each case, the proxy appointment must be received by the Company as soon as possible and, in any event, so as to arrive by no later than 11.30am on 19 April 2024.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.30am on 19 April 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
- To be valid any hard copy proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.
- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST 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 the appropriate action on their behalf.
- In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID RA10) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. 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 Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and International Limited does not make available special procedures in CREST for any particular message. 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 his 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 system providers 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.
- The submission of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.

Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion or withhold from voting.
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 3 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by shareholders of the Company.
- The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the auditor) setting out any matter relating to the audit of the Company's accounts, including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at 10–11 Charterhouse Square, London, EC1M 6EE.
- Information regarding the AGM, including information required by Section 311A of the Companies Act 2006, is available from the Company's page of the Manager's website at www.heralduk.com.
- Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member unless:
 - answer 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.
- As at 21 February 2024 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 55,299,809 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 February 2024 were 55,299,809 votes.
- Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
- No director has a contract of service with the Company.

FURTHER SHAREHOLDER INFORMATION

HERALD INVESTMENT TRUST PLC

The Company is an investment trust. Investment trusts offer investors the following:

- Participation in a diversified portfolio of shares.
- Constant supervision by experienced professional managers.
- The Company is free from capital gains tax on capital profits realised within the portfolio.
- The opportunity to achieve improved performance for shareholders' funds in rising markets by the borrowing of additional money.

HOW TO INVEST

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or an online share dealing platform or by asking a professional adviser to do so.

SOURCES OF FURTHER INFORMATION ON THE COMPANY

The price of shares is quoted daily in the Financial Times, The Daily Telegraph and The Times. The NAV per share is calculated and released daily to the London Stock Exchange and monthly to the Association of Investment Companies.

KEY DATES

If a dividend is declared in respect of a financial year, it is normally paid late April/early May. The AGM is normally held in April.

TAXATION

The price of the ordinary shares (adjusted for the price of attributable warrants) on 21 February 1994, which was the first day of trading, was 90.9p. The amount attributable to the warrants for the purpose of capital gains tax is 9.1p per share issued (1994 Annual Report). Any shareholder uncertain of his or her position is recommended to seek expert advice.

ISAs

The ordinary shares of the Company are qualifying investments for individual saving accounts.

ELECTRONIC PROXY VOTING

If you hold stock in your own name you should vote by returning proxies electronically at www.signalshares.com. If you have any questions about this service please contact Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm Monday to Friday (excluding public holidays in England and Wales). Shareholders who wish to do so can obtain a hard copy proxy form by calling the above number or writing to the registrar at: Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

MAINSTREAM INVESTMENT

The Company conducts its affairs so that its ordinary shares are capable of being recommended by independent financial advisors to ordinary retail investors in accordance with relevant FCA rules. Our ordinary shares are, we consider, mainstream investment products because they are shares in an investment trust. The Company intends to continue conducting its affairs for the foreseeable future so that the ordinary shares can continue to be categorised as mainstream.

KEY INFORMATION DOCUMENT ("KID")

Since 1 January 2018 there is a requirement to make a KID available to retail investors in the Company. The KID provides key information about the Company's shares as an investment product. The information is required by law to help potential shareholders understand the nature, risks, costs, potential gains and losses of the Company's shares and to help them compare it with other products. The KID can be viewed at <https://www.heralduk.com/the-packaged-retail-and-insurance-based-investment-products-regulation-priips/>.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

The UK version of the AIFMD, an European Union Directive which came into force on 22 July 2013 and which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019 and any further equivalent UK legislation replacing or superseding the AIFMD. The UK AIFMD regulates fund managers that manage alternative investment funds (this includes investment trusts).

COMPANY SECRETARY

Apex Listed Companies Services (UK) Limited
6th Floor
125 London Wall
London
EC2Y 5AS

REGISTERED OFFICE

10–11 Charterhouse Square
London
EC1M 6EE

COMPANY NUMBER

02879728

(England and Wales)

DEPOSITARY, CUSTODIAN AND ADMINISTRATOR

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London
EC4V 4LA

ALTERNATIVE INVESTMENT FUND MANAGER AND PORTFOLIO MANAGER

Herald Investment Management Limited
10–11 Charterhouse Square
London EC1M 6EE
Tel: 020 7553 6300
Fax: 020 7490 8026
Website: www.heralduk.com
Email: info@heralduk.com

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

STOCKBROKERS

Singer Capital Markets Securities Limited
One Bartholomew Lane
London
EC2N 2AX

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

REGISTRARS

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL
Tel: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm Monday to Friday (excluding public holidays in England and Wales).

Website: www.signalshares.com
Email: shareholderenquiries@linkgroup.co.uk

ASSOCIATION OF INVESTMENT COMPANIES ('AIC')

24 Chiswell Street
London
EC1Y 4YY

ALTERNATIVE PERFORMANCE MEASURES

ALTERNATIVE PERFORMANCE MEASURE ('APM')

An APM is a numerical measure of the Company's current, historical or future performance, financial position or cash flows other than a financial measure defined or specified in the applicable financial framework. The following APMs are typically used within the investment trust sector to provide additional useful information to shareholders and others and to help assess an investment trust's performance and position against its peers and the market generally. The Company's directors have therefore chosen the following APMs as useful measures, however, make the important distinction for the discount APM that the Company does not target or attempt to control the discount (or premium) given that this is a function of the stock market's view of the Company's share price.

GEARING

The gearing ratio reflects the degree to which the Company is exposed to movements on its investment portfolio. The gearing ratio indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. A gearing ratio higher than 100 indicates the extent to which shareholders' funds are geared; a gearing ratio of 100 shows the Company is ungeared and fully invested; and a gearing ratio lower than 100 indicates that the Company is not fully invested. There are several ways to calculate gearing, and the following methods are used in this report.

Gross gearing

This reflects the amount of borrowings in use by the Company and takes no account of any cash balances or amounts invested in government debt securities which the directors deem to be equivalent to cash for the purpose of the net gearing/net cash calculation.

Net gearing or net cash

This reflects the amount of borrowings actively invested, i.e. investments (excluding amounts invested in government debt securities) divided by shareholders' funds. A net cash position arises when cash and cash equivalents and government debt securities held are greater than borrowings.

	PAGE		31 December 2023 £'000	31 December 2022 £'000
Cash and cash equivalents	65	A	42,285	80,442
Add : Government debt securities	71	B	60,765	77,640
Total cash and cash equivalents and government debt securities		C=A+B	103,050	158,082
Net assets	65	D	1,245,757	1,305,048
Add : borrowings		E	–	–
Net assets plus borrowings		F=D+E	1,245,757	1,305,048
Less: Total cash and cash equivalents and government debt securities		C	(103,050)	(158,082)
Total assets (excluding total cash and cash equivalents and government debt securities)		G=F-C	1,142,707	1,146,966
Gross gearing		F/D	100	100
Net gearing		G/D	n/a	n/a
Net cash		G/D	92	88

NET ASSET VALUE (NAV) PER ORDINARY SHARE

The value of the Company's assets less any liabilities for which the Company is responsible, divided by the number of shares in issue. See note 14 on page 74. The NAV per ordinary share is published daily.

The NAV per ordinary share is shown both including and excluding current year revenue.

The change in NAV per share (see total return below) during 2023, as shown on page 1, is calculated by taking 2023 total return and dividing by the opening NAV for the year (that is, the NAV disclosed for 31 December 2022).

ONGOING CHARGES

The ongoing charges figure have been calculated in accordance with AIC guidelines: annualised charges (total expenses), excluding non-recurring expenses and interest, incurred by the Company, divided by the average daily net asset values throughout the year.

The ongoing charges are derived in accordance with the following table:

	PAGE		2023 £'000	2022 £'000
Investment management fee	64	A	12,375	13,653
Other administrative expenses	64	B	974	1,005
Less: costs in relation to custody dealing and non-recurring expenses		C	(73)	(24)
Ongoing charges		D=A+B+C	13,276	14,634
Average net assets		E	1,238,291	1,391,638
Ongoing charges figure		D/E	1.07%	1.05%

TOTAL RETURN

Share price and NAV total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both the movement in share price/NAV and any dividends paid to shareholders.

	PAGE		Share Price	NAV
Opening at 1 January 2023	3	A	1,782.0p	2,099.1p
Closing at 31 December 2023	3	B	1,922.0p	2,219.2p
Price movements		C=(B-A)/A	7.9%	5.7%
Dividend reinvestment*		D	0.0%	0.0%
Total return		C+D	7.9%	5.7%

	PAGE		Share Price	NAV
Opening at 1 January 2022	29	A	2,505.0p	2,719.3p
Closing at 31 December 2022	3	B	1,782.0p	2,099.1p
Price movements		C=(B-A)/A	-28.9%	-22.8%
Dividend reinvestment*		D	0.0%	0.0%
Total return		C+D	-28.9%	-22.8%

* No dividend has been declared for the year (2022 – nil).

DISCOUNT OR PREMIUM

The amount by which the share price of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

DISCOUNT OR PREMIUM	PAGE		31 December 2023	31 December 2022
Share Price (p)	3	A	1,922.0	1,782.0
Net Asset Value per share (p)	3	B	2,219.2	2,099.1
Discount	3	(A-B)/B	13.4%	15.1%

Herald Investment Trust plc
10–11 Charterhouse Square
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