Herald
LEADING-EDGE INVESTING

Herald Investment Trust plc
2022

Annual report & financial statements
31 December 2022

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
41 Your Board of Directors
42 Corporate Governance Report
46 Audit Committee Report
48 Directors' Report
50 Directors' Remuneration Report
53 Statement of Directors' Responsibilities
54 Independent Auditors' Report

Financial Statements

62 Income Statement
63 Balance Sheet
64 Statement of Changes in Equity
65 Cash Flow Statement
66 Notes to the Financial Statements

General

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

HIGHLIGHTS

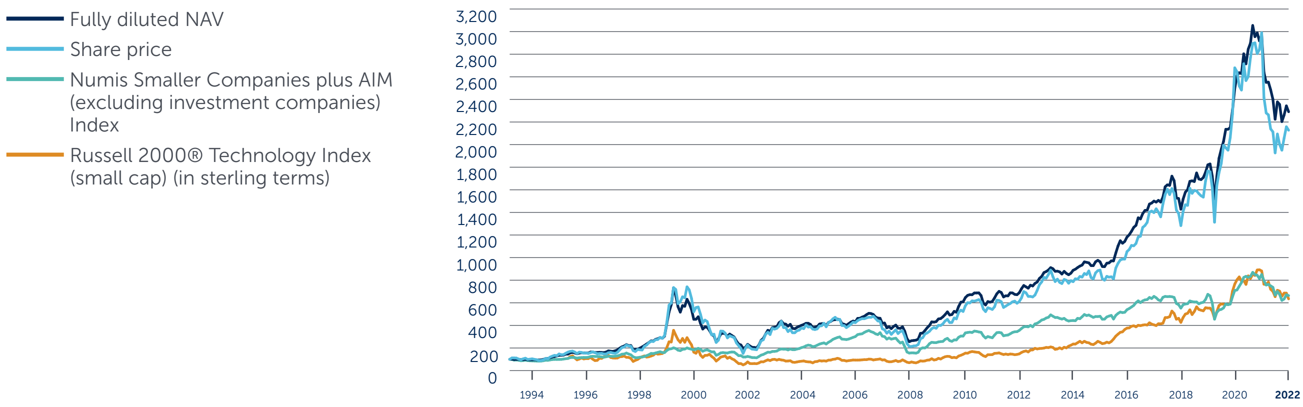
NET ASSET VALUE (NAV)[A] PER SHARE 31 DECEMBER 2022	CHANGE IN NAV[A] PER SHARE IN 2022	TOTAL NAV RETURN SINCE INCEPTION
£20.99	–22.8%	+2,190.8%

NAV AT 31 DECEMBER 2021		TOTAL RETURN IN 2022	SHARE BUYBACKS IN 2022		NAV AT 31 DECEMBER 2022
£1,760.9m	+	–£405.6m	–£50.3m	=	£1,305.0m

A Alternative Performance Measures - see page 82.

TOTAL RETURN SINCE INCEPTION

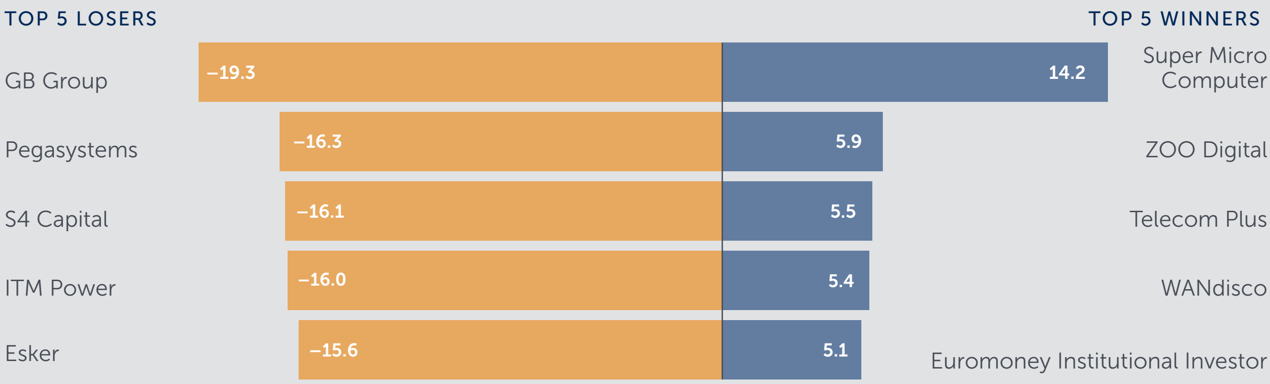
(FIGURES HAVE BEEN REBASED TO 100 AT 16 FEBRUARY 1994)



Source: Refinitiv

TOP FIVE WINNERS AND LOSERS 2022

TOTAL GAIN/(LOSS) IN 2022 IN STERLING TERMS (MILLIONS)



COMPANY SUMMARY

Company data at 31 December 2022

SHAREHOLDERS' FUNDS

£1,305m

MARKET CAPITALISATION

£1,108m

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'), formerly Sanne Fund Services (UK) Limited.
CAPITAL STRUCTURE	As at 31 December 2022 the Company's share capital consisted of 62,173,223 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 2,580,889 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 82 and 83.

YEAR'S SUMMARY

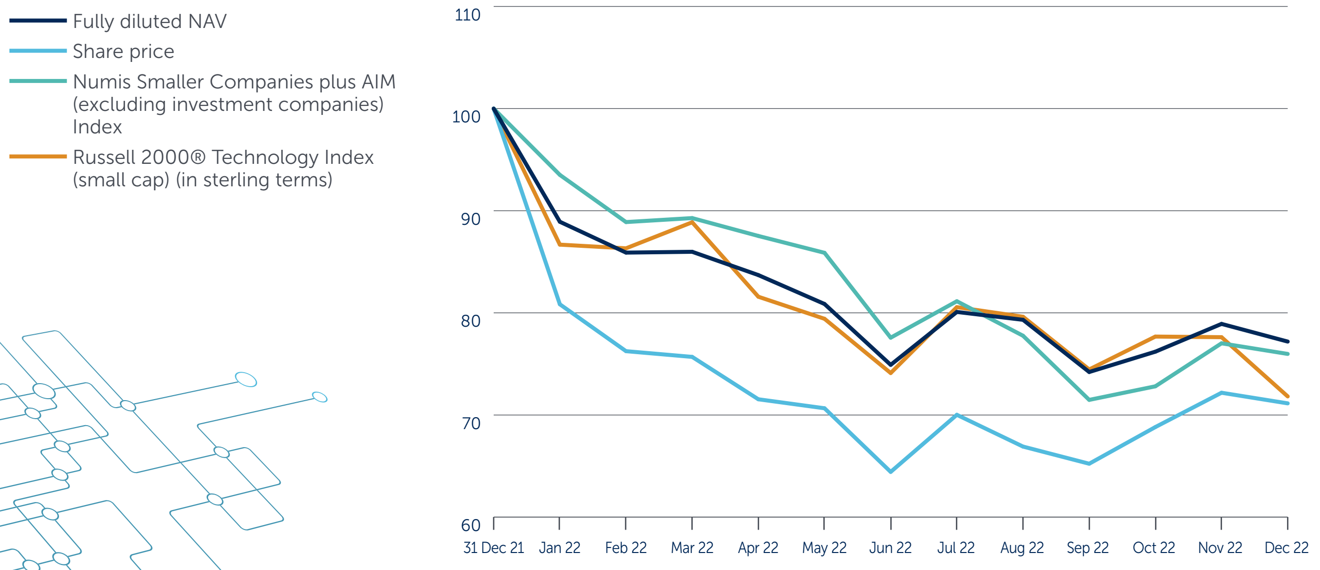
	31 December 2022	31 December 2021	% change
Total net assets	**£1,305.0m**	£1,760.9m	
Shareholders' funds	**£1,305.0m**	£1,760.9m	
Net asset value per ordinary share[A]	**2,099.1p**	2,719.3p	−22.8
Share price[A]	**1,782.0p**	2,505.0p	−28.9
Numis Smaller Companies plus AIM (ex. investment companies) Index (capital only)	**5,406.8**	7,116.5	−24.0
Russell 2000® Technology Index (small cap) (in sterling terms) (capital only)[B]	**3,814.1**	5,340.9	−28.6
Dividend per ordinary share	**–**	–	
Profit/(loss) per ordinary share (revenue)	**0.21p**	(8.33p)	
Ongoing charges[A]	**1.05%**	1.02%	
Discount to NAV[A]	**15.1%**	7.9%	

Year to 31 December	**2022**	**2022**	2021	2021
Year's high and low	**High**	**Low**	High	Low
Share price	**2,570.0p**	**1,560.0p**	2,630.0p	2,045.0p
Net asset value[A] per ordinary share	**2,719.0p**	**1,978.7p**	2,849.1p	2,285.0p
Discount[A]	**25.2%**	**4.1%**	16.8%	1.8%

At 31 December	**2022**	2021
(Loss)/profit per ordinary share		
Revenue	**0.21p**	(8.33p)
Capital	**(641.23p)**	439.51p
Total	**(641.02p)**	431.18p

A Alternative Performance Measure - see page 82.
B Investments and indices valued at USD/GBP exchange rate of 1.209 at 31 December 2022 (1.354 31 December 2021).
® Russell Investment Group.

1 YEAR CHART OF NAV, SHARE PRICE AND COMPARATIVE INDICES – CAPITAL RETURN
(FIGURES HAVE BEEN REBASED TO 100 AT 31 DECEMBER 2021)



Source: Refinitiv

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

> Innovative technologies continue to open up new markets, presenting opportunities for small entrepreneurial companies to exploit, investment prospects continue to be exciting in the long term.

Katie Potts

COMPANY OVERVIEW

Achieving capital growth

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

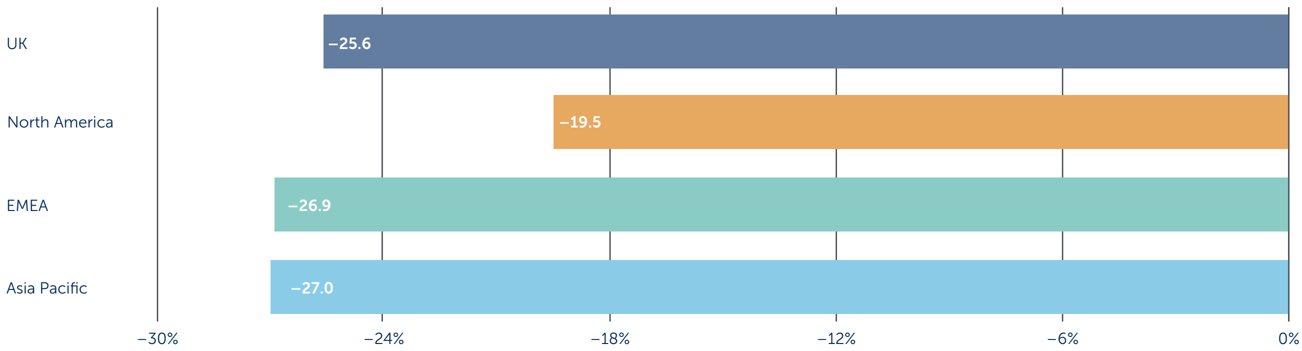
The Company was established in 1994 raising £65m to invest in UK and European smaller TMT companies. In 1996 a further £30m was raised to globalise the fund with the recognition that TMT is a global sector and cross-referencing across geographies is a prerequisite for investing within the sector. Since 1996 no further capital has been raised, but share repurchases totalling £236m 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 11.4%.

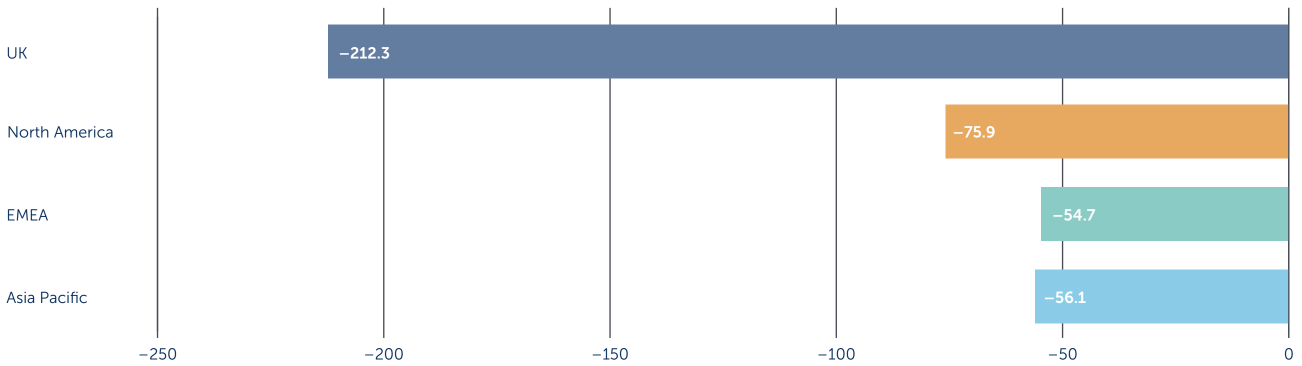
GEOGRAPHICAL ANALYSIS

GEOGRAPHICAL RETURNS

TIME WEIGHTED RETURN BY GEOGRAPHY YEAR ENDED 31 DECEMBER 2022*
(STERLING, PERCENT)

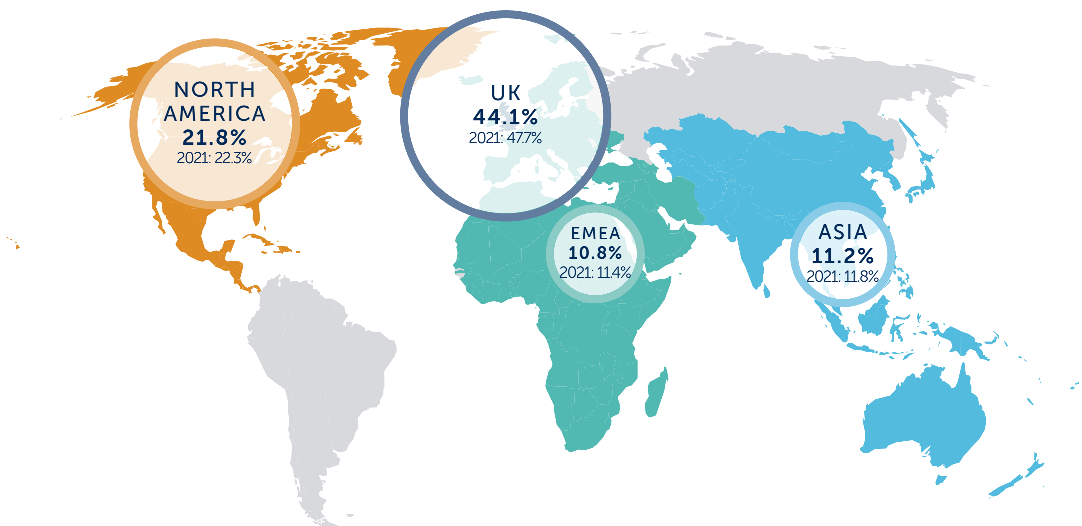


NEGATIVE CONTRIBUTION TO EQUITY INVESTMENT RETURN YEAR ENDED 31 DECEMBER 2022*
(STERLING, MILLIONS)



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

GEOGRAPHICAL SPREAD OF EQUITY INVESTMENTS AT 31 DECEMBER 2022†



† As a percentage of total assets.

CHAIRMAN'S STATEMENT

Company well placed in uncertain times

Recent stock market declines have inevitably affected the Company and it is disappointing to report a decline in net asset value ('NAV') per share of 22.8% in 2022. The decline was surprisingly uniform across all four of our regions (UK, North America, Continental Europe and Asia). More positively, we have seen profits growth in aggregate within the portfolio and generally resilient trading in investee companies. As clearly set out in the Manager's report, price to earnings ('p/e') valuations have been reverting to more normal levels (17.8x) having been elevated in recent years as we highlighted at the time. However, it should be noted that share price declines often precede forecast downgrades.

Market-induced valuation volatility is one dimension to performance. The more important one for the long term is investing in successful growth companies. The aims of this Company and its Manager are to achieve capital appreciation by providing primary capital and being active in the secondary market in smaller quoted companies in the telecommunications, multimedia and technology sectors. In 2022, a further £21.4m was invested in primary capital (both new issues and follow-on fundraisings by companies), which takes the cumulative total to £645m since inception in 1994. That compares with just £95m of capital that the Company itself has raised in total (1994: £65m and 1996: £30m). Our belief is that good companies will grow whatever the economic backdrop, and that technology will continue to open up new markets. Early-stage capital is always scarce and by ensuring that we identify and research good companies ahead of others we can benefit from this.

Technology spend used to be mainly a capital expenditure decision, and demand was vulnerable to economic cycles. However, today businesses cannot run without information systems which are increasingly provided as a service on a rental basis, in effect outsourcing capital expenditure. This also means that more technology spend, across datacentres and communications infrastructure as well as software, has become non-discretionary. Importantly it means many technology companies are less exposed to cyclical demand and have defensive characteristics like utilities. Furthermore, businesses and governments alike are faced with other inflating costs, and the UK and North America in particular have very tight labour markets, so there is greater pressure than ever to find efficiencies, driving further demand for technology investment. The consumer, although wedded to the internet, is perhaps more fickle and may reduce expenditure on content and consumer electronics in uncertain times. Equally, inflationary pressures may squeeze advertising demand which is showing signs of weakness, but digital media continues to gain share. Business-facing subscription content should be more resilient.

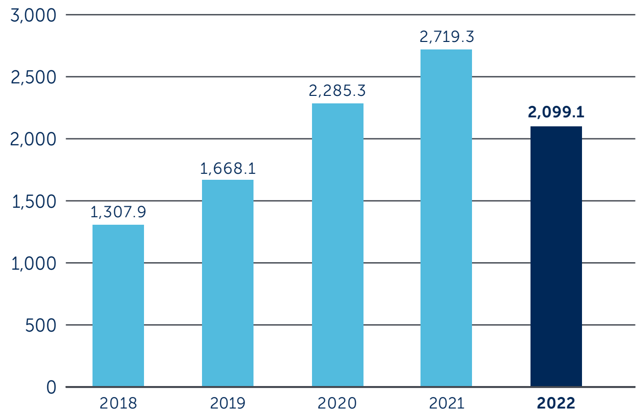
> Market-induced valuation volatility is one dimension to performance. The more important one for the long term is investing in successful growth companies.
>
> **TOM BLACK,** CHAIRMAN

Companies manufacturing technology products such as semiconductors are more exposed to softening demand than software companies. They have suffered from supply chain issues associated with Covid and capacity constraints, particularly in the semiconductor industry. This has left many companies with record order backlogs so short-term demand is assured, but for those higher up the supply chain the inventory cycle could produce adverse impacts.

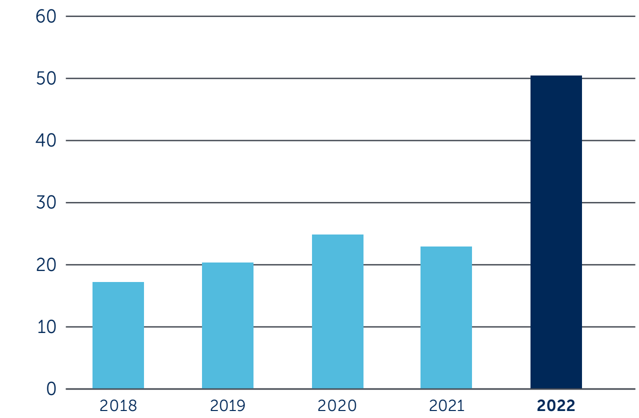
Takeovers have continued to be a strong feature this year. There were thirty one takeovers of portfolio companies completed or yet to be completed, with an aggregate value of £161m. Of these, thirteen were in the United States (£73m) and nine in the UK (£57m). In contrast, IPOs were few and far between, with stock markets virtually closed to new entrants. These takeovers, together with the Manager's purposeful rotation into lower-rated stocks over the last couple of years, have helped offset the losses in the portfolio. In addition, the Manager has adopted a defensive stance by holding a lower proportion of early-stage loss-making stocks (12.0%) than in the past, and by retaining high cash balances. At the end of the year, cash and short-dated government bonds were 12.1% of net assets (£158.1m). This is a near record level and provides plenty of ammunition to invest at lower valuations in the coming year.

Current year losses in the portfolio have been mitigated by the weakening of sterling, relative to the dollar in particular,

NET ASSET VALUE PER SHARE
(PENCE)



SHARE BUYBACKS
(STERLING, MILLIONS)



which has reduced the losses on overseas holdings, and (albeit on a delayed basis) will improve revenues and profits for UK companies with exports and overseas subsidiaries. In addition, the Company bought back more of its stock in 2022: some 2.6m shares, or 4.0% of the outstanding capital at the start of the year, with an aggregate cost of £50m. During the year, the discount widened from 7.9% on 31 December 2021 to 15.1% at year end, but with such dramatic market movements during the year, this is not altogether surprising.

The income statement is showing a marginal profit after several years of losses. This reflects a growth in dividends received of 16%, increased interest income on cash and government bonds, and reduced costs reflecting the lower asset value.

Whilst we remain confident about the longer-term prospects for the majority of the investee companies, we have concerns about the state of financial markets particularly for smaller companies. The UK smaller quoted companies market is the most challenged with particularly poor liquidity. This is an existential threat. It is very sad when over the life of the Company the UK listed investments have delivered a return in excess of £1bn including nearly £400m of profits on AIM holdings. The returns from investing in smaller UK technology companies have been first class over the longer term, bettering those of the index of US smaller technology companies (Russell 2000® Technology Index) by over 1,000% since 1 July 1996. The Company's capital is much needed in the UK. The entrepreneurial early-stage part of the market, which the Company addresses, is on the frontline in the conflict between regulation and economic growth. Whilst we respect the need for regulation, it appears to us that the process of reducing risk from the markets seems also to be reducing the available risk capital. This is surely an unintended and undesirable outcome and a major factor in our gradually decreasing exposure to the UK market.

As previously announced, after ten years I shall retire from the board at the forthcoming AGM. It has been a great honour to serve as Chairman of a company which has served its shareholders so well and, at the same time, has made such a significant contribution to the UK technology sector. I would like to thank our excellent manager, Katie Potts, and the entire team at HIML for their unstinting efforts on your behalf. Equally, my fellow board members have made my time at Herald very straightforward with their ever-ready support and constructive contributions. Andrew Joy joined the Board last October and will replace me as Chairman in April. Andrew has already demonstrated that he will add a great deal and I am sure I am leaving you in good hands.

Whilst the current economic and geopolitical challenges seem likely to continue for some time, I am very confident that the Company is well-placed to benefit and even thrive in such uncertain times. Your Board remains excited by the investment opportunities in the sector and looks forward with confidence.

TOM BLACK
CHAIRMAN
15 February 2023

INVESTMENT MANAGER'S REPORT

Substantial valuation compression – underlying trading solid

The factors behind the disappointing decline in the Company's NAV per share of 22.8% are multiple. Clearly the biggest negative that had not been factored into valuations at the start of the year was Russia's invasion of Ukraine. It has been a catalyst to end the era of virtually free money and exposed the strains of the excess government debt associated with Covid, welfare, health and defence expenditure, and energy subsidies. The p/e compression witnessed is a direct and inevitable by-product of rising bond yields.

Price to Earnings and IRR

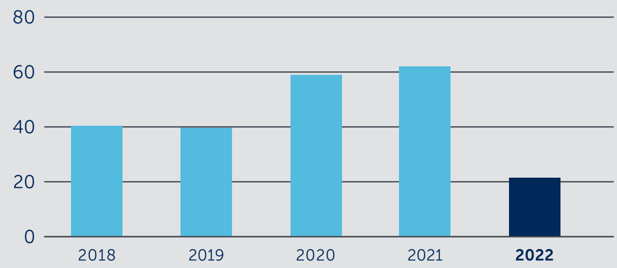
	2016 Year-end P/E	2020 Year-end P/E	2021 Year-end P/E	2022 Year-end P/E
UK	15.9	26.2	23.8	16.7
North America	20.7	45.0	29.4	17.9
EMEA	17.5	34.9	33.3	24.1
Asia	13.1	25.0	23.0	16.9
Total Company	16.7	30.7	25.9	17.8

	1 year change P/E	2 year change P/E	1 year change IRR	2 year change IRR
UK	–29.8%	–36.2%	–25.9%	–7.2%
North America	–39.1%	–60.2%	–19.9%	–10.4%
EMEA	–27.7%	–31.0%	–27.5%	6.1%
Asia	–26.4%	–32.3%	–27.4%	–14.8%
Total Company	–31.3%	–42.1%	–23.5%	–8.5%

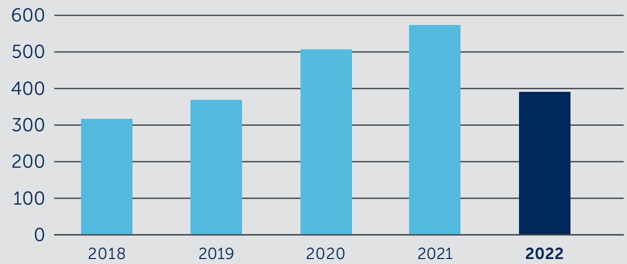
Source: Bloomberg. Analyst earnings estimates, where available, are aggregated using the Bloomberg weighted harmonic average calculation. This excludes loss-making companies from the p/e calculation. A weighted harmonic average will normally be lower than a geometric or arithmetic average. By way of comparison the 2022 Total Company weighted average arithmetic p/e (47.8x) or median p/e (21.0x).

Although the regional returns are all down between 20% and 28% there are variations in the underlying drivers of these falls between regions.

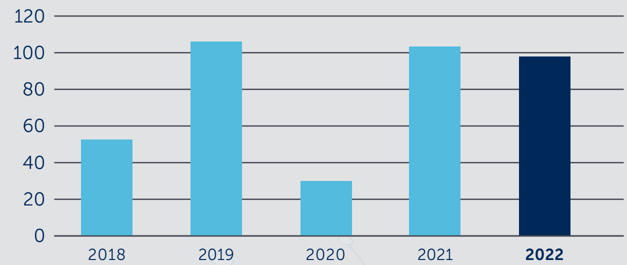
PLACINGS AND IPOs
(STERLING, MILLIONS)



AIM HOLDINGS
(STERLING, MILLIONS)

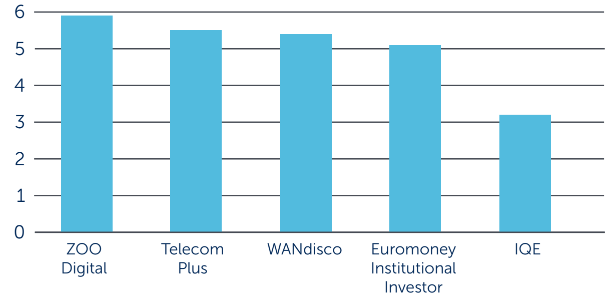


TAKEOVERS
(STERLING, MILLIONS)



UK

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



The UK remains the largest region at 44.1% of net assets (47.7% at 31 December 2021). It has delivered a disappointing return of -25.9%, which is a little worse than the Numis Smaller Companies plus AIM (ex. investment companies) Index which returned -21.9% on a total return basis. In part this reflects stocks that outperformed during Covid but are now lagging. The Company's UK portfolio returned 48.7% total return over the five years encompassing the Covid trauma, against the index returning only 1.1%. There are also more stock-specific reasons to this year's declines which are discussed below.

Seven stocks returned an aggregate loss of £101.1m (each in excess of £10m) which is nearly half the region's loss for the year. However, during our entire period of ownership, these seven stocks have still delivered a positive return of £123.2m notwithstanding this year's setback. Losses would have been much greater had we not already realised aggregate gains of £90.0m, with some gains realised from each of the seven investments. Historically, the pattern was to realise profits in successful holdings as a source of cash to reinvest in smaller companies. Due to liquidity it has become increasingly challenging to reduce positions at the larger end, and we realise there is now a structural issue exacerbated by MiFID (Markets in Financial Instruments Directive) and other recent regulation. I find that smaller company investing is now a separate world from large company investing with different brokers and different analysts, so companies can no longer seamlessly transition their shareholder register to larger investors as they grow. As successful small caps outperform, they are left with overexposed shareholders, who struggle to sell their holdings and are constrained from providing further capital. It is therefore more difficult for companies to raise additional capital.

The first of the significant lossmakers in the period is BATM Advanced Communications, a UK-listed Israeli company which soared in Covid supplying ventilators and tests. That particular market has since disappeared. The second is Future. I am delighted to say we contributed needed capital of £250,000 in 2015 at 10p (or £1.50/share on a split-adjusted basis), a further £2m at £12.75 in 2019, and made other market purchases so the peak book value was £6.3m. Fortunately in 2021 we sold £24.2m of stock at an average price of £28.59 in 22 transactions realising gains of £21.0m. The share price fell to end the year at £12.67. But, with a prospective p/e of 8.1x on current market forecasts, the company continues to deliver growth. The third is GB Group, which has been a wonderful long-term investment, but painful for the last two years following a difficult placing to fund an acquisition. Additionally, results from the highly valued acquisition have disappointed a little, mainly reflecting reduced demand for identity solutions for the opening of cryptocurrency accounts. Ilika, an early-stage company with leading edge technology for solid-state batteries, soared on the green bubble, and then plunged on manufacturing challenges. ITM Power also soared on the green bubble in 2020. Fortunately, £20.2m gains had already been realised, but again the business had execution challenges, so delivered negative returns for a second year. Rapidly made profits in S4 Capital evaporated, in part from self-inflicted pain of book-keeping issues delaying the audit, but also an economy-induced negative sentiment in the advertising world. The seventh is YouGov, where again, £11.0m in gains had been realised because we felt that the valuation had become inflated. Trading is still fine, but the market anticipates a slowdown in growth.

There were some successes in the year as well. ZOO Digital has performed best. This is a particularly gratifying one because we supported the business through a difficult transition from DVDs to on-line streaming. When no other investors would support, other than the chief executive, we put in convertible loan stock and went to 20% of the equity, making an unusual exception (which was sanctioned by the board), when our general limit is 10% of outstanding capital. We now have a total return over £20m since inception. WANdisco has also done well this year. It is still loss-making but has announced some encouraging orders.

The nine takeovers with an aggregate value of £57.2m have also produced positive returns including Euromoney Institutional Investor, Ideagen, Avast and EMIS. This pace of takeovers in relation to a portfolio of £575.5m seems a normal rate.

REGIONAL ALLOCATION CHANGES
(STERLING THOUSANDS)

	Valuation at 31 December 2021	Net acquisitions/ (disposals)	Amortisation	Appreciation/ (depreciation)	**Valuation at 31 December 2022**
Equities*					
UK	839,466	(43,303)	–	(220,641)	**575,522**
North America	392,191	(30,660)	–	(77,081)	**284,450**
EMEA	201,244	(3,704)	–	(56,116)	**141,424**
Asia Pacific	208,333	(4,541)	–	(58,315)	**145,477**
Total equities	1,641,234	(82,208)	–	(412,153)	**1,146,873**
Government bonds	42,248	32,529	507	2,356	**77,640**
Total investments	1,683,482	(49,679)	507	(409,797)	**1,224,513**
Net liquid assets	77,395	(1,004)	–	4,144	**80,535**
Total net assets+	1,760,877	(50,683)	507	(405,653)	**1,305,048**

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

INVESTMENT MANAGER'S REPORT CONTINUED

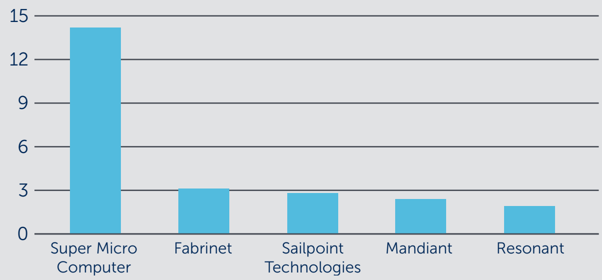
	YE market value £m	Total return £m	% of total region	2022 IRR
Media	123.5	−78.5	21.5	−38.9%
Semiconductors	20.9	3.5	3.6	22.8%
Technology Hardware	61.2	−35.4	10.6	−36.4%
Software	173.7	−46.0	30.2	−19.5%
Technology Services	65.9	−5.2	11.5	−5.8%
Total main sectors	445.2	−161.6	77.4	
Total UK region	575.5	−212.3		−25.9%

The sector performance in the table above highlights that the media sector was the weakest, having reversed the stellar performance of 66.1% in 2021. Fortunately, material profits had been taken or the damage would have been greater. I also observe that UK technology valuations have been more resilient than those of other regions because they had lower initial levels from which to fall. The table also shows a decline in the value of the UK portfolio greater than the negative returns because there were net sales from the UK portfolio of £43.3m. This takes the cash withdrawal from the UK portfolio to over £210m over the last six years, and more than £300m since inception. The positive is that the portfolio of £575.5m effectively has a negative book cost of £308.8m. It has been our deliberate strategy to reduce the UK weighting due to the risk of poor liquidity and lack of co-investors.

The UK has a creative and entrepreneurial spirit, with many interesting investment opportunities. However, we feel the risks of investing in early-stage loss makers in the quoted market has risen. We have experienced situations where we alone have provided follow-on funding, and others where we would have provided funding but found there were insufficient co-investors. We expect to continue to support existing investments, and remain open to new ones, but I expect the UK to diminish as a percentage of the assets of the Company unless there is a political will to redress the regulatory burden and improve liquidity.

North America

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



For smaller technology companies, the North American market has probably been the worst in 2022. However, due to our well positioned portfolio, our North American holdings have declined less than the other regions. The return of -19.9% compares favourably with the Russell 2000® Technology Index return of -28.4% in sterling terms. The dollar decline in the index was -36.1%, and the sterling return (for an unweighted basket of stocks between $100m and $3bn market capitalisation in Bloomberg's technology and communication sector) was -40%. This makes the Company's NAV decline gratifyingly small. Superficially, the prospective p/e of 17.9x would seem to make the North American market cheap. However, we regard this as rather meaningless given that forecast earnings are generally made on an adjusted basis versus GAAP (Generally Accepted Accounting Principles), which excludes share-based payments. In the software sector in particular it is not uncommon to see 5% or more of the outstanding capital issued each year, the value of which is often a material percentage of revenues, let alone profit, and this inevitably dilutes shareholders substantially. In addition, it has been a growing concern that valuations were ridiculously high in the US and we have withdrawn capital from this market to the tune of £31m in 2022 and £126m over six years. In fact, like the UK, the US portfolio of £284.5m at the year end has effectively a negative book value (£117m).

	YE Market Value £m	Total return £m	% of total region	2022 IRR
Media	8.5	−3.1	3.0	−27.8%
Semiconductors	40.6	−11.0	14.3	−21.3%
Technology Hardware	90.7	−2.8	31.9	−3.2%
Software	124.6	−51.8	43.8	−25.8%
Technology Services	7.4	−4.5	2.6	−32.0%
Total main sectors	271.8	−73.2	95.6	
Total North America region	284.5	−75.9		−19.9%

The outstanding sector in North America has been technology hardware. Fabrinet, a Thailand-based but Nasdaq-quoted contract manufacturer in the optical space has done well. The star performer, not just in North America, but the whole portfolio has been Super Micro Computer which returned £14.2m. It is the largest North American holding and was the second-best performing stock in the Russell 2000® Technology Index (i.e. small and large companies). It is also pleasing that we held Agilisys, the third best performer in this 344 stock index. An element of the market's significant derating reflects the fact that lower rated hardware companies have performed better than the overvalued software companies. In contrast, long held Pegasystems has been extremely disappointing, largely due to the loss of a trade secrets misappropriation lawsuit for a seemingly bizarre level of damages. They are appealing, but in the meantime the investment was devalued by £16.3m.

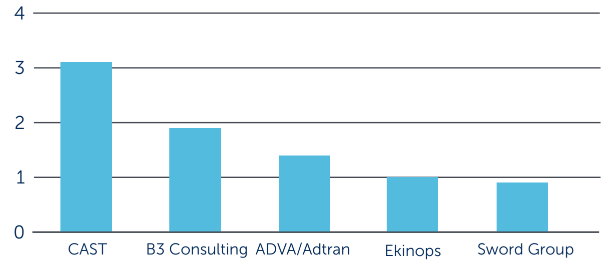
The other obvious contributor to the good relative performance has been takeovers. The thirteen takeovers in the year, with an aggregate value of £73m, is a significant proportion of the North American portfolio. Furthermore, the aggregate value of takeovers is £191m over the last five years, which is extraordinary compared to the market value of the North American portfolio of only £207m at the end of 2017. Over that time, takeovers have significantly contributed to the region's IRR of 130%, in contrast to the sterling return of the index of 56%.

2020 and 2021 saw a deluge of IPOs and SPACs (Special Purpose Acquisition Companies) at unattractive valuations, offsetting the wave of takeovers. The result is that a third of the addressable market by number of companies is new to the market since 2020. The average local currency return is -38% for these technology IPOs, and SPAC returns are much worse. The team has focused on meeting many of these companies this year and expects interesting opportunities to appear in a dislocated market.

Along with a binge in share-based compensation, generally with minimal vesting criteria, there has also been a US obsession with valuing revenue growth rather than profits. The US has been good at recognising the importance of market dominance, and the required land grab, but it seems companies had taken this way too far, to the point of ignoring fundamentals like return on capital and profitability. Retained losses in many software companies are often in excess of $1bn which is generally a red flag. We prefer companies where founders retain worthwhile stakes because they will not dilute themselves unnecessarily and are motivated to control costs. The most exciting thing about this bear market is that not only have valuations come down, but business models are changing to include a greater focus on cost control. This should also mean a less tight labour market and returns actually going to shareholders rather than only to directors and staff. The really successful mega-caps such as Alphabet, Microsoft and Apple have been able to generate huge revenues and margins per employee, and thus been able to pay for key skills well. Smaller companies have been caught between these scaled businesses and venture capitalists offering equity. In order to compete, they have doled out RSUs (restricted stock units) and over-rewarded the workforce.

Europe Middle East and Africa

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



The EMEA return of -27.5% is disappointing, but must be viewed in light of the three year return from the region which is 60.3%, and the five year return of 79.6% despite the decline in 2022. Furthermore, the positive and negative returns have been dominated by the three biggest holdings Esker, BE Semiconductor Industries (BESI) and Nordic Semiconductor. Over time they have collectively delivered a total return of £63.6m despite losing £33.0m in 2022, which was over 60% of the overall EMEA decline. The Company benefited from BESI and Nordic Semiconductor being two of the largest semiconductor investments in the global portfolio. Semiconductors had a good year in 2021, and there are few ways to invest in this sub-sector in North America and the UK, hence the overweight positions in Europe were retained.

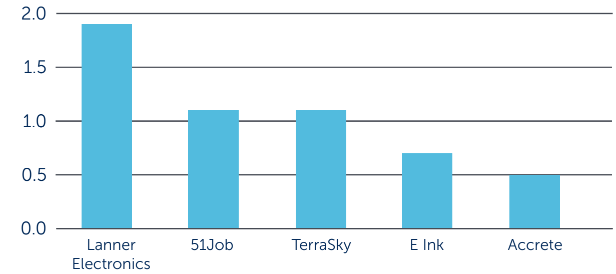
	YE Market Value £m	Total return £m	% of total region	2022 IRR
Media	9.7	−5.0	6.9	−34.6%
Semiconductors	37.9	−18.1	26.8	−33.0%
Technology Hardware	14.6	2.0	10.3	14.4%
Software	49.0	−27.3	34.7	−34.2%
Technology Services	19.4	−1.0	13.7	−4.9%
Total main sectors	130.6	−49.4	92.4	
Total EMEA region	141.4	−54.7		−27.5%

Demonstrating the power of clustering expertise, the Netherlands has retained a strong semiconductor hub spawned from Philips, led by ASML and NXP, with BESI as the smaller player. Germany has Infineon Technologies and STMicro is the other main European player. Sweden and Finland have clusters around Ericsson and Nokia, but both companies seem past their prime.

European governments are in general more strategic in supporting industry than the UK, and demonstrably they want the public markets for smaller companies to prosper and to provide capital. CAST, Generix and ADVA Optical Networking ('ADVA') have all been taken over for an aggregate value of £17.8m, albeit ADVA for US listed shares. Nevertheless, takeovers are less prevalent, and stock-based compensation is a non-issue in Europe. Although the European economy is challenging, we expect to find stock specific opportunities as we have in the past.

Asia

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



The Asia return has been -27.4%. The significant distinct markets are Taiwan, Japan, South Korea and Australia, as well as other small ones. Taiwan has been the most successful market for the Company. Taiwan benefitted from the cluster effect from Taiwan Semiconductor Manufacturing Company, which originally used Philips technology, but was also the hub for US companies to manufacture PCs and servers. They are therefore used to trading with listed US giants who have high business standards and in consequence have transparency and strong ESG credentials. South Korea has Samsung and LG, but is much less transparent and has weaker corporate governance. Australia is more analogous to the UK as a market. Japan is a relatively new market for the Company. For a number of years it seemed lacking in entrepreneurialism, lost ground to Korea and China in consumer electronics and to Taiwan and others in semiconductors, and had limited software companies. More recently there have been a large number of IPOs, and Japan seems to have a dynamic smaller companies stock market. In consequence our weighting there has increased, but it is too early for us to see meaningful returns.

	YE Market Value £m	Total return £m	% of total region	2022 IRR
Media	14.8	−2.2	10.2	−12.0%
Semiconductors	20.5	−11.1	14.1	−33.1%
Technology Hardware	26.2	−3.0	18.0	−9.8%
Software	42.5	−19.1	29.2	−31.9%
Technology Services	18.3	−7.1	12.6	−28.4%
Total main sectors	122.3	−42.5	84.1	
Total Asia region	145.5	−56.1		−27.4%

Australia had a poor year with a negative 43.1% return, reflecting retail and institutional investors fleeing small technology companies and weak business performance in a number of cases. Taiwan declined 24.8% but benefitted from a strong performance from Lanner Electronics. Over the last five years, the return in Taiwan has been an exceptional 212.8%, which has been masked by less good returns in newer Asian markets where investment has been made more recently. We have increased the focus on the Asian region because we feel that opportunities lie here.

INVESTMENT MANAGER'S REPORT CONTINUED

China is an important market for the sector's supply chain. However, we choose to have limited exposure, reflecting political risk and the uncertainty of outside shareholders seeing returns. The case of 51Job, which was a Chinese holding taken over at an unpalatable price, is a good illustrative example. The Chinese economy has challenges including a fragile property market, a leadership which is unsympathetic to business, a 17% urban unemployment rate for 16-24 year olds and the US trying to make China's move to self-sufficiency in semiconductors as challenging as possible. The threat of an invasion of Taiwan by China is the scariest of all possible prospects.

Market Background

We are privileged to meet many management teams throughout the world on a recurring basis and this gives us an interesting perspective from which to assess our market background. Everyone thinks their own economic problems are worst. The UK has a particularly negative view of its own position, perhaps driven by recent political turmoil and media negativity on a wide range of problems. Thus far, profit expectations for companies in the UK portfolio have been particularly resilient, perhaps benefiting from sterling weakness relative to the dollar, and more conservative management of growth expectations. US businessmen are depressed by their country's social tensions and excessive fiscal and trade deficits, which dwarf the UK's. In contrast to the UK, in North America expectations for revenue growth are visibly weakening, and many companies have faced currency headwinds on their overseas revenues. The Chinese seem alarmed by their financial leverage, ageing population and a leadership unsympathetic to business. The manufacturing orientation of the sector in Asia means it is visibly more exposed to a cyclical slowdown in demand. Europe has the additional challenge of its proximity to Russia/Ukraine, energy supply issues, and most significantly the different countries in the Eurozone operating under one central bank, but no fiscal union. It is hard to find optimism in the current landscape.

As our home market, and still accounting for over 40% of the portfolio, the UK is of prime importance to the Company today. Despite the myriad problems, the UK has the advantage of its own central bank, debt in its own currency, domestic gas production to meet half of its need and a significant capacity to generate electricity from wind with huge further potential. Perhaps due to the high cost of land and labour the UK has become a knowledge-based economy which is a significant positive and produces a large trading surplus in services, which are not energy-dependent. In addition, in a world of conflict and increased tensions, the UK does still have a defence industry which benefits a number of companies in the supply chain.

Beyond our home market, there continue to be opportunities for us in all of our markets. We have a strong focus on the United States which has scaled some software companies brilliantly, delivering high margins. As evidenced by the takeover volumes the Company has experienced, the scale of North American private equity activity has shrunk the size of the addressable listed market, albeit in recent years offset by a wave of speculative new issues. Whereas the AIM market in London has had numerous IPOs and secondary placings to raise development capital, US IPOs tend to have been exits for venture capitalists and private equity. Furthermore, there was a fashion for crossover funds or public company investors participating in late-stage venture rounds. This category of investor seems to have disappeared. As interest rates normalise, the extent to which these trends continue, and how they achieve exits, remains to be seen. Europe as a region is perhaps less easy to categorise and will remain a stock-specific market for the Company. Asia is clearly the primary region for new listings, with its technology sector having emerged as a low-cost manufacturing location and now progressively moving up the value chain.

There are key areas of change which always open up opportunities for smaller companies. For many years there was a trend for manufacturing to migrate to China, with its lower labour costs. As salaries and skillsets in China rose and, more recently, as political concerns about China's direction of travel have grown, other emerging economies such as Vietnam and Mexico have become more important as manufacturing hubs. Whilst this shift has been underway for some years, 2022 has added a further dramatic twist. The Ukraine war and the related supply chain issues have magnified concerns about security of supply. 'Just in time' and lowest cost is no longer the buyer's prime motivation. 'Just in case' has become the new mantra. In addition, the increasing tensions between China and Taiwan are of great concern and any conflict there would dwarf the Ukraine impact on the technology sector given the central role played by Taiwan in semiconductor manufacturing.

The major disruption of Covid has also led to a change in the employment market. There has been a rise in working from home as well as a significant reduction in the proportion of working age people available to work in developed countries. Despite the obvious attractions of avoiding the cost of offices and employing people more cheaply from far corners of the earth, we are unsure what long-run effect this will have. Many of the companies in our portfolio are based in knowledge clusters such as San Francisco, Seattle, Boston and London, where knowledge feeds on itself. Can this be sustained with working from home? Will centres of excellence become less relevant? These remain unanswered questions at this time. There is some evidence that the tightness of the labour market is receding, and employees are coming back to the office so perhaps the working from home trend may not be so acute as we once thought.

Outlook

There are many reasons to be anxious as we look forward. Excess government leverage globally in an environment where the cost of capital is normalising, geopolitical tensions across the globe and energy market turmoil all play their part. In this environment it is challenging to reduce risk in any portfolio. However, against this background smaller companies with genuine growth prospects and intellectual property seem appealing. This is where the Company operates, and the best returns have been made from investments in 2002-3 post the internet boom and 2008-9 in the financial crisis. We are optimistic there will be good buying opportunities ahead.

KATIE POTTS
15 February 2023

SECTOR PERFORMANCE
(STERLING MILLIONS)

	Market value equity portfolio 31 Dec 2022	% of equity portfolio 31 Dec 2022	Total return equity portfolio 31 Dec 2022	Total return equity portfolio 31 Dec 2021
Software	389.8	34.0	−144.2	39.3
Technology Hardware	192.7	16.8	−39.2	28.4
Semiconductors	119.9	10.5	−36.7	51.2
Technology Services	111.0	9.7	−17.8	44.8
Advertising & Marketing	71.3	6.2	−42.7	57.2
Internet Media & Services	47.6	4.1	−28.8	23.5
Industrial Intermediate Production	27.8	2.4	−7.0	13.0
Telecommunications	26.3	2.3	−3.7	5.0
Electrical Equipment	26.0	2.3	−12.4	7.1
Publishing & Broadcasting	24.2	2.1	−15.0	20.5
Other	110.3	9.6	−51.5	7.0
Total	**1,146.9**	**100.0**	**−399.0**	**297.0**

Source: BICS (Bloomberg Industry Classification Standard).

CLASSIFICATION OF INVESTMENTS

CLASSIFICATION*	UK %	EMEA %	North America %	Japan & Asia Pacific %	**2022 Total %**	2021 Total %
COMMUNICATIONS	**10.4**	**0.8**	**1.3**	**1.5**	**14.0**	**17.0**
Advertising and Marketing	5.2	0.1	0.1	0.1	5.5	7.1
Entertainment Content	1.0	–	–	–	1.0	1.0
Internet, Media and Services	1.6	0.6	0.4	1.1	3.7	4.2
Publishing and Broadcasting	1.7	–	0.2	–	1.9	2.2
Telecommunications	0.9	0.1	0.6	0.3	1.9	2.5
CONSUMER DISCRETIONARY	**0.2**	**–**	**–**	**0.2**	**0.4**	**0.5**
Automotive	0.1	–	–	–	0.1	–
E-Commerce Discretionary	–	–	–	0.2	0.2	0.4
Wholesale – Discretionary	0.1	–	–	–	0.1	0.1
CONSUMER STAPLES	**–**	**–**	**–**	**–**	**–**	**0.1**
Retail – Consumer Staples	–	–	–	–	–	0.1
ENERGY	**0.6**	**–**	**–**	**–**	**0.6**	**1.7**
Renewable Energy	0.6	–	–	–	0.6	1.7
FINANCIALS	**1.0**	**–**	**–**	**0.7**	**1.7**	**1.4**
Asset Management	0.2	–	–	–	0.2	0.3
Equity Investment Instruments	0.7	–	–	–	0.7	0.5
Specialty Finance	0.1	–	–	0.7	0.8	0.6
HEALTH CARE	**0.8**	**0.4**	**–**	**–**	**1.2**	**1.7**
Biotechnology and Pharmaceutical	0.1	–	–	–	0.1	0.9
Health Care Facilities and Services	0.2	–	–	–	0.2	0.2
Medical Equipment and Devices	0.5	0.4	–	–	0.9	0.6
INDUSTRIALS	**4.7**	**0.3**	**0.3**	**0.4**	**5.7**	**6.1**
Aerospace and Defence	–	–	0.3	–	0.3	0.1
Commercial Support Services	1.2	–	–	–	1.2	1.0
Electrical Equipment	1.5	0.3	–	0.2	2.0	2.9
Industrial Intermediate Production	2.0	–	–	0.2	2.2	2.1
MATERIALS	**0.2**	**–**	**–**	**0.2**	**0.4**	**0.4**
Chemicals	0.1	–	–	0.2	0.3	0.2
Forestry, Paper and Wood Products	0.1	–	–	–	0.1	0.2
TECHNOLOGY	**24.5**	**9.3**	**20.2**	**8.2**	**62.2**	**63.9**
Semiconductors	1.6	2.9	3.1	1.6	9.2	8.7
Software	13.2	3.8	9.6	3.2	29.8	34.1
Technology Hardware	4.7	1.1	6.9	2.0	14.7	12.4
Technology Services	5.0	1.5	0.6	1.4	8.5	8.7
UTILITIES	**1.7**	**–**	**–**	**–**	**1.7**	**0.4**
Electricity and Gas Marketing and Trading	1.4	–	–	–	1.4	–
Gas and Water Utilities	0.3	–	–	–	0.3	0.4
TOTAL EQUITIES (including convertibles and warrants)	**44.1**	**10.8**	**21.8**	**11.2**	**87.9**	**–**
Total equities – 2021 (including convertibles and warrants)	47.7	11.4	22.3	11.8	–	**93.2**
BONDS	**3.4**	**–**	**2.5**	**–**	**5.9**	**2.4**
NET LIQUID ASSETS**	**2.3**	**0.5**	**2.2**	**1.2**	**6.2**	**4.4**
TOTAL NET ASSETS	**49.8**	**11.3**	**26.5**	**12.4**	**100.0**	**–**
Total net assets – 2021	49.8	11.4	26.5	12.3	–	**100.0**
SHAREHOLDERS' FUNDS	**49.8**	**11.3**	**26.5**	**12.4**	**100.0**	**–**
Shareholders' Funds – 2021	49.8	11.4	26.5	12.3	–	**100.0**
Number of equity investments (including convertibles and warrants)	144	36	77	88	**345**	**356**

* Source: Bloomberg Industry Classification Standard.
** Cash, current assets and liabilities.

TOP TWENTY EQUITY HOLDINGS AS AT 31 DECEMBER 2022

NEXT15

£29.1m	VALUATION
2.2%	OF TOTAL ASSETS
3.0%	OF ISSUED SHARE CAPITAL HELD
£2.4m	BOOK COST

Next Fifteen Communications ('Next 15') 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 the 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.

SUPERMICRO

£27.1m	VALUATION
2.1%	OF TOTAL ASSETS
0.8%	OF ISSUED SHARE CAPITAL HELD
£7.8m	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.

DIPLOMA PLC

£25.9m	VALUATION
2.0%	OF TOTAL ASSETS
0.7%	OF ISSUED SHARE CAPITAL HELD
£0.7m	BOOK COST

Diploma is an international group supplying specialised products and services to a wide range of end segments in three sectors of controls, seals and life sciences. Diploma's businesses are focused on supplying essential products and services which are critical to customers' needs, providing recurring income and stable revenue growth. By supplying essential solutions, Diploma builds strong long term relationships with customers and suppliers, which support attractive and sustainable margins. 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. The Group employs ca. 2,900 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

YouGov
What the world thinks

£20.4m	VALUATION
1.6%	OF TOTAL ASSETS
1.8%	OF ISSUED SHARE CAPITAL HELD
£2.0m	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 22 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.

idox

£19.7m	VALUATION
1.5%	OF TOTAL ASSETS
6.8%	OF ISSUED SHARE CAPITAL HELD
£5.1m	BOOK COST

Idox develops specialist software for government and industry, with an established track record serving tightly regulated markets including local authorities, health, engineering, transport and property. Built around the needs of the user and designed in collaboration with experts, the company's software delivers exceptional functionality and reliability to critical operations and embeds workflows that drive efficiency and best practice.

TOP TWENTY EQUITY HOLDINGS AS AT 31 DECEMBER 2022 CONTINUED

SiliconMotion

£19.2m	VALUATION
1.5%	OF TOTAL ASSETS
1.1%	OF ISSUED SHARE CAPITAL HELD
£1.7m	BOOK COST

Silicon Motion Technology ('Silicon Motion') is a global leader in developing NAND flash controllers for SSDs and other solid state storage devices and has over 20 years of experience developing specialised processor ICs that manage NAND components and deliver high-performance storage solutions widely used in data centres, PCs, smartphones and commercial and industrial applications. Silicon Motion has one of the broadest portfolios of NAND controller intellectual property enabling the design of unique, highly optimised configurable IC plus related firmware controller platforms and complete turnkey controller solutions. More NAND flash components, including current and up-coming generations of 3D flash produced by Kioxia, Micron, Samsung, SK Hynix, Solidigm, Western Digital and YMTC, are supported by Silicon Motion controllers than any other company. Customers include NAND flash makers, module makers, hyperscalers and OEMs. Silicon Motion are the world's leading supplier of SSD controllers used in PCs and other client devices and is a leading merchant supplier of eMMC/UFS controllers used in smartphones and IoT devices. Silicon Motion also supplies custom-designed high-performance Open-Channel data centre SSDs to China's leading hyperscalers and customised small single-chip form factor SSDs for industrial, commercial and automotive applications. Silicon Motion was founded in 1995 in San Jose, California and now operate from corporate offices in Hong Kong, Taiwan and the US. In May 2022, MaxLinear announced a takeover offer for Silicon Motion which has yet to close.

NORDIC SEMICONDUCTOR

Smarter Things

£18.7m	VALUATION
1.4%	OF TOTAL ASSETS
0.7%	OF ISSUED SHARE CAPITAL HELD
£4.2m	BOOK COST

Nordic Semiconductor ('Nordic') 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 1300 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 from Imagination Technologies 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

£17.9m	VALUATION
1.4%	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. 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.

DESCARTES

£17.9m	VALUATION
1.4%	OF TOTAL ASSETS
0.4%	OF ISSUED SHARE CAPITAL HELD
£0.6m	BOOK COST

Descartes Systems ('Descartes') is a leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use Descartes' modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Descartes headquarters are in Waterloo, Ontario, Canada and they have offices and partners around the world.

ZOO

£17.8m	VALUATION
1.4%	OF TOTAL ASSETS
11.4%	OF ISSUED SHARE CAPITAL HELD
£3.0m	BOOK COST

ZOO Digital ('ZOO') supports major Hollywood studios and streaming services to globalise their content and reach audiences everywhere, by providing world-leading, technology-enabled localisation and media services. Founded in 2001, ZOO operates from hubs in Los Angeles, London, Dubai, Turkey, South Korea, India and Denmark with a development and production centre in Sheffield, UK. The Group provides media services through its platforms that include: ZOOsubs, ZOOdubs and ZOOstudio. Its full-service proposition delivers the end-to-end services required to prepare both original and catalogue content for digital distribution; these services include dubbing, subtitling & captioning, metadata creation & localisation, mastering, artwork localisation and media processing. Alongside this offering, ZOO also provides its customers with management platforms and strategic solutions to support their own internal globalisation operations. ZOO helps its customers to reduce time to market, lower costs and deliver high quality products to their global audiences. The business has frameworks in place with all major Hollywood studios and streaming services. Its customers include Disney, NBCUniversal, HBO and Paramount Global.

fabrinet

£17.6m	VALUATION
1.4%	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.

Besi

£17.0m	VALUATION
1.3%	OF TOTAL ASSETS
0.4%	OF ISSUED SHARE CAPITAL HELD
£0.9m	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.

GBG

£14.5m	VALUATION
1.1%	OF TOTAL ASSETS
1.8%	OF ISSUED SHARE CAPITAL HELD
£4.5m	BOOK COST

GB Group ('GBG') is a global leader in digital location, identity and managing fraud risk and compliance. GBG helps organisations across the globe eliminate customer friction and fraud from their digital experiences. GBG develop and deliver digital identity, address verification, fraud prevention and compliance software to businesses globally. Through the combination of the latest technology, the most accurate data and its expertise, GBG helps organisations ranging from start-ups to the largest consumer and technology brands in the world deliver seamless experiences, so their customers can transact online with greater confidence.

bango

£14.3m	VALUATION
1.1%	OF TOTAL ASSETS
10.4%	OF ISSUED SHARE CAPITAL HELD
£6.8m	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.

ESKER

£13.9m	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 procure-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. Over the past 38 years, Esker has grown into one of the leading document processing automation solution providers, with more than 1,000 employees in 15 subsidiaries worldwide.

TOP TWENTY EQUITY HOLDINGS AS AT 31 DECEMBER 2022 CONTINUED

Kainos

£13.1m	VALUATION
1.0%	OF TOTAL ASSETS
0.7%	OF ISSUED SHARE CAPITAL HELD
£1.5m	BOOK COST

Kainos is a UK-headquartered IT provider with expertise across three divisions - Digital Services, Workday Services, and Workday Products. Kainos Digital Services division develops and supports custom digital service platforms for public sector, commercial, and healthcare customers. The Workday Services division specialises in the deployment of Workday Inc.'s Finance, HR and Planning products to leading organisations across Europe and North America. Kainos are one of Workday's most respected partners, experienced in complex deployments. The Workday Products division develops products that complement Workday. These include the Smart product suite, including Smart Test (for automated testing), Smart Audit (for compliance monitoring), and Smart Shield (for data masking), are used by more than 350 customers globally to safeguard their Workday systems. Kainos employs more than 2,900 people in 22 countries across Europe and the Americas.

Radware

£13.0m	VALUATION
1.0%	OF TOTAL ASSETS
1.8%	OF ISSUED SHARE CAPITAL HELD
£6.0m	BOOK COST

Radware is a global leader of cyber security and application delivery solutions for physical, cloud, and software defined data centres. Its award-winning solutions portfolio secures the digital experience by providing infrastructure, application, and corporate IT protection and availability services to enterprises globally. Radware's solutions empower more than 12,500 enterprise and carrier customers worldwide to adapt to market challenges quickly, maintain business continuity and achieve maximum productivity while keeping costs down.

Volex

£12.6m	VALUATION
1.0%	OF TOTAL ASSETS
3.2%	OF ISSUED SHARE CAPITAL HELD
£5.4m	BOOK COST

Volex is a leader in integrated manufacturing for performance-critical applications and a supplier of power 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. Volex are headquartered in the UK and operate from 18 manufacturing locations with a global workforce of over 6,900 employees across 22 countries. Products are sold through internal locally based sales teams and via authorised distributor partners to Original Equipment Manufacturers ('OEMs') and Electronic Manufacturing Services ('EMS') companies worldwide. Volex products and services provide power and connectivity to a range of products, from the most common household items to the most complex medical equipment.

Seeing Machines

£12.0m	VALUATION
0.9%	OF TOTAL ASSETS
4.8%	OF ISSUED SHARE CAPITAL HELD
£8.6m	BOOK COST

Seeing Machines, a global company founded in 2000 and headquartered in Australia, is an industry leader in vision-based monitoring technology that enable machines to see, understand and assist people. Seeing Machines' technology portfolio of AI algorithms, embedded processing and optics power products that need to deliver reliable real-time understanding of vehicle operators. The technology spans the critical measurement of where a driver is looking, through to classification of their cognitive state as it applies to accident risk. Reliable "driver state" measurement is the end-goal of driver monitoring systems (DMS) technology. Seeing Machines develops DMS technology to drive safety for automotive, commercial fleet, off-road and aviation. The company has offices in Australia, the U.S., Europe and Asia, and supplies technology solutions and services to industry leaders in each market vertical.

CentralNic

£11.6m	VALUATION
0.9%	OF TOTAL ASSETS
2.6%	OF ISSUED SHARE CAPITAL HELD
£3.5m	BOOK COST

CentralNic is a London-based AIM-listed company which drives the growth of the global digital economy by developing and managing software platforms allowing businesses globally to buy subscriptions to domain names, used for their own websites and email, as well as for protecting their brands online. These platforms can also be used for distributing domain name related software and services, an opportunity that contributes significantly to CentralNic's organic growth. The Company's inorganic growth strategy is identifying and acquiring cash-generative businesses in its industry with annuity revenue streams and exposure to growth markets and migrating them onto the CentralNic software and operating platforms. CentralNic operates globally with customers in almost every country in the world. It earns recurring revenues from the worldwide sales of internet domain names and other services on an annual subscription basis.

DETAILED LIST OF INVESTMENTS

AT 31 DECEMBER 2022

Ordinary or common shares unless otherwise stated.

Classification		Name	Value £'000	%
UNITED KINGDOM				
Advertising and Marketing	●	Ebiquity	2,735	
	●	Next Fifteen Communications	29,076	
		S4 Capital	7,713	
	●	System1	812	
	●	The Mission Group	2,485	
	●	Time Out	2,323	
	●	Tremor	1,303	
	●	XLMedia	1,107	
	●	YouGov	20,375	
			67,929	5.2
Entertainment Content	●	Frontier Developments	2,615	
	●	Team17	1,335	
	●	Zinc Media	7,126	
			11,076	0.8
Internet, Media and Services	●	Dianomi	435	
	●	Eagle Eye Solutions	805	
		Future	8,985	
	●	OnTheMarket	1,448	
	●	Smoove	1,540	
	●	Sysgroup	895	
	●	Ten Lifestyle Group	2,064	
		Trustpilot	4,229	
			20,401	1.6
Publishing and Broadcasting	●	Audioboom	3,534	
		Bloomsbury Publishing	8,370	
	●	Bonhill	734	
		Centaur Media	3,976	
		Quarto	2,102	
		Reach	3,008	
			21,724	1.7
Telecommunications	●	Crimson Tide	744	
	●	Fonix Mobile	2,389	
	●	Gamma Communications	2,098	
	●	GlobalData	5,424	
	●	Maintel	1,528	
			12,183	0.9
Automotive	●	Quartix Technologies	574	
	●	Saietta	841	
			1,415	0.1
Retail - Discretionary	●	FireAngel Safety Technology	**365**	0.0
Wholesale - Discretionary	●	Northamber	**843**	0.1
Renewable Energy	●	AFC Energy	856	
	●	Invinity Energy Systems	713	
	●	ITM Power	5,114	
	●	SIMEC Atlantis Energy	138	
	●	Velocys	822	
			7,643	0.6
Asset Management		Augmentum Fintech	450	
		Integrafin	1,237	
		Sivota	575	
			2,262	0.2
Equity Investment Instruments		Gore Street Energy Storage Fund	2,562	
	●	HIML Holdings	5,558	
	●	KRM22	956	
			9,076	0.7

● denotes AIM stock

● denotes unlisted security

DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2022

Classification		Name	Value £'000	%
UNITED KINGDOM continued				
Specialty Finance	●	TruFin	**1,168**	0.1
Biotechnology and Pharmaceutical	●	C4X Discovery	**1,178**	0.1
Health Care Facilities and Services	●	Diaceutics	1,658	
	●	Feedback	387	
			2,045	0.2
Medical Equipment and Devices		BATM Advanced Communications	4,923	
	●	Deltex Medical	250	
	●	Intelligent Ultrasound	916	
			6,089	0.5
Commercial Support Services	●	MJ Hudson	438	
	●	Science Group	6,968	
		Wilmington	8,566	
			15,972	1.2
Electrical Equipment		Oxford Instruments	5,051	
	●	Synectics	379	
	●	Volex	12,620	
		XP Power	1,680	
			19,730	1.5
Industrial Intermediate Production		Diploma	**25,869**	2.0
Chemicals	●	Applied Graphene Materials	440	
	●	Haydale Graphene Industries	802	
			1,242	0.1
Forestry, Paper and Wood Products	●	Accsys Technologies	**1,225**	0.1
Semiconductors	●	CML Microsystems	5,174	
	●	IQE	10,491	
	●	Kromek	2,061	
	●	Sondrel	2,182	
			19,908	1.5
Software	●	1Spatial	1,896	
	●	Access Intelligence	6,362	
	●	ActiveOps	379	
		Aptitude Software	8,066	
	●	Bango	14,271	
	●	Blackbird	1,658	
	●	Boku	4,094	
	●	BrandShield Systems	458	
	🟠	Celoxica	2,713	
	●	Checkit	1,832	
	●	Corero Network Security	3,113	
	●	Craneware	9,792	
	●	Dillistone	230	
	●	Dotdigital	6,429	
	●	Eckoh	6,420	
	●	Essensys	642	
	●	GB Group	14,511	
	●	GetBusy	1,767	
		Gresham Technologies	6,075	
	●	Idox	19,732	
	●	Immotion	316	
	●	i-nexus Global	121	
	●	Intercede	1,727	
	●	IQGeo	5,070	
	●	itim	1,054	
	●	Light Science Technologies	300	

● denotes AIM stock

🟠 denotes unlisted security

Classification		Name	Value £'000	%
UNITED KINGDOM continued	●	Location Sciences	51	
	●	LoopUp	264	
	●	Microlise	1,415	
		NCC	7,109	
	●	Osirium Technologies	273	
	●	Oxford Metrics	8,493	
	●	Pelatro	216	
	●	Quixant	1,356	
	●	SimiGon	251	
	●	SmartSpace Software	852	
	●	Sopheon	623	
	●	Spectra Systems	4,332	
	●	WANdisco	9,909	
	●	Windward	697	
	●	ZOO Digital	17,818	
			172,687	13.2
Technology Hardware	●	Aferian	392	
	●	AMTE Power	403	
	●	Calnex Solutions	3,131	
	●	Concurrent Technologies	633	
	●	CyanConnode	2,214	
		discoverie	11,358	
	●	Focusrite	1,490	
		Global Invacom	268	
	●	Gooch & Housego	1,052	
	●	Ilika	1,930	
	●	MTI Wireless Edge	2,364	
	●	SDI	9,125	
	●	Seeing Machines	12,049	
	●	Solid State	1,077	
		Spirent Communications	10,400	
	●	Thruvision	3,311	
	●	Trackwise Designs	20	
			61,217	4.7
Technology Services		Bytes Technology	1,661	
	●	CentralNic	11,607	
	●	Cerillion	3,612	
	●	Cohort	6,708	
		Computacenter	3,249	
	●	D4T4 Solutions	7,556	
	●	EMIS	5,610	
	●	Equals Group	163	
	●	FD Technologies	3,910	
		FDM	2,678	
	●	GRC	189	
		Kainos	13,067	
	●	Netcall	2,054	
	●	PCI-PAL	1,794	
	●	Silver Bullet Data Services	136	
	●	Tribal	1,881	
			65,875	5.0
Electricity and Gas Marketing and Trading		Telecom Plus	**17,900**	1.4
Gas and Water Utilities	●	Water Intelligence	**4,112**	0.3
		TOTAL UNITED KINGDOM EQUITIES	571,134	43.8

DETAILED LIST OF INVESTMENTS CONTINUED
AT 31 DECEMBER 2022

Classification	Name		Value £'000	%
EUROPE, MIDDLE EAST AND AFRICA (EMEA)				
Advertising and Marketing	Growens	Italy	**1,669**	0.1
Internet, Media and Services	EQS	Germany	5,508	
	New Work SE	Germany	1,337	
	North Media	Denmark	1,222	
			8,067	0.6
Telecommunications	Intred	Italy	**1,873**	0.1
Medical Equipment and Devices	LUMIBIRD	France	**5,426**	0.4
Electrical Equipment	Airthings	Norway	520	
	Detection Technology	Finland	2,957	
			3,477	0.3
Semiconductors	BE Semiconductor Industries	Netherlands	17,021	
	Kalray	France	2,235	
	Nordic Semiconductor	Norway	18,676	
			37,932	2.9
Software	Atea	Norway	1,925	
	Carasent	Norway	199	
	Efecte	Finland	2,655	
	Enea	Sweden	1,708	
	Esker	France	13,928	
	Exasol	Germany	757	
	Invision	Germany	454	
	Median Technologies	France	1,926	
	Nexus	Germany	5,865	
	NFON	Germany	1,130	
	Nordhealth	Finland	1,312	
	RaySearch Laboratories	Sweden	2,422	
	Sidetrade	France	7,232	
	Upsales Technology	Sweden	4,650	
	WALLIX	France	2,884	
			49,047	3.8
Technology Hardware	Adtran	Germany	4,660	
	ATEME	France	2,491	
	Ekinops	France	5,728	
	Napatech	Norway	1,698	
			14,577	1.1
Technology Services	Adesso	Germany	5,844	
	Allgeier	Germany	500	
	B3 Consulting	Sweden	3,961	
	Datalex	Ireland	1,841	
	OVH	France	1,415	
	Sword Group	France	5,795	
			19,356	1.5
	TOTAL EMEA EQUITIES		141,424	10.8
NORTH AMERICA				
Advertising and Marketing	Inuvo		**970**	0.1
Internet, Media and Services	HealthStream		3,591	
	Yelp		1,809	
			5,400	0.4

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

Classification	Name	Value £'000	%
NORTH AMERICA continued			
Publishing and Broadcasting	Thryv	**2,115**	0.2
Telecommunications	Cogent Communications	5,900	
	Ooma	2,536	
		8,436	0.6
Renewable Energy	Loop Energy	**15**	0.0
Aerospace and Defence	Leonardo DRS	**3,697**	0.3
Electrical Equipment	nLIGHT	209	
	Tecogen	332	
		541	0.0
Semiconductors	AXT	541	
	CEVA	5,915	
	Chipmos Technologies*	1,476	
	FormFactor	1,378	
	Intellicheck	1,130	
	Pixelworks	393	
	Power Integrations	2,253	
	QuickLogic	1,391	
	Silicon Motion Technology*	19,185	
	Tower Semiconductor	4,395	
	Ultra Clean Holdings	959	
	Valens	1,561	
		40,577	3.1
Software	Absolute Software	4,318	
	Alkami Technology	1,810	
	American Software	2,355	
	Amplitude	748	
	AvePoint	1,197	
	AVID Technology	6,593	
	Bandwidth	2,646	
	Brightcove	1,835	
	Cognyte Software	386	
	Couchbase	1,643	
	CyberArk Software	4,397	
	Cyren	14	
	Descartes Systems	17,860	
	Digital Turbine	2,520	
	FalconStor Software	118	
	Five9	2,245	
	ForgeRock	3,293	
	Issuer Direct	1,850	
	JFrog	2,647	
	Kinaxis	3,332	
	Kneat	734	
	LivePerson	3,567	
	N-able	2,548	
	OneSpan	1,848	
	PagerDuty	2,197	
	Pegasystems	8,515	
	Qualys	7,073	
	Radware	13,043	
	SPS Commerce	10,605	
	Streamline Health	1,271	
	Varonis Systems	8,804	
	Vertex	1,800	
		123,812	9.5
Technology Hardware	Akoustis Technologies	1,466	
	Arlo Technologies	2,613	
	Aviat Networks	1,931	
	Blackline Safety	1,155	

DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2022

Classification	Name		Value £'000	%
NORTH AMERICA continued	CalAmp		1,109	
	Celestica		4,195	
	Credo Technology		3,023	
	Everspin Technologies		1,260	
	Fabrinet		17,598	
	Harmonic		5,414	
	Lantronix		2,678	
	Ondas		588	
	One Stop Systems		1,533	
	Quantum		680	
	RADCOM		1,841	
	Ribbon Communications		2,502	
	Ribbon Communications Restricted		754	
	Silicom		4,321	
	Super Micro Computer		27,148	
	ViaSat		2,617	
	Vicor		6,224	
			90,650	6.9
Technology Services	Rimini Street		2,665	
	Telos		735	
	TTEC		4,010	
			7,410	0.6
	TOTAL NORTH AMERICA EQUITIES		**283,623**	21.7
ASIA PACIFIC				
Advertising and Marketing	Pureprofile	Australia	**752**	0.1
Internet, Media and Services	Bengo4.com	Japan	654	
	CrowdWorks	Japan	1,054	
	DIGITAL Holdings	Japan	688	
	Gabia	South Korea	1,499	
	giftee	Japan	1,962	
	GMO Internet	Japan	1,865	
	Praemium	Australia	2,809	
	PropTech	Australia	1,115	
	Proto	Japan	1,729	
	RMA Global	Australia	328	
			13,703	1.1
Publishing and Broadcasting	Hong Kong Economic Times	Hong Kong	**344**	0.0
Telecommunications	Accrete	Japan	1,056	
	Kinx	South Korea	2,786	
			3,842	0.3
E-Commerce Discretionary	Momo.com	Taiwan	2,308	
	PChome Online	Taiwan	716	
			3,024	0.2
Retail - Consumer Staples	Redbubble	Australia	**310**	0.0
Specialty Finance	Money Forward	Japan	**8,603**	0.7
Medical Equipment and Devices	Compumedics	Australia	**237**	0.0
Commercial Support Services	Freelancer	Australia	438	
	Plus Alpha Consulting	Japan	377	
			815	0.0

** 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				
Electrical Equipment	Catapult	Australia	2,204	0.2
Industrial Intermediate Production	Elite Material	Taiwan	1,118	
	PI Advanced Materials	South Korea	793	
			1,911	0.2
Chemicals	Soulbrain	South Korea	2,261	0.2
Semiconductors	Andes Technology	Taiwan	3,026	
	eMemory Technology	Taiwan	2,389	
	Eugene Technology	South Korea	429	
	Kulicke & Soffa Industries	Singapore	5,118	
	Phison Electronics	Taiwan	1,695	
	PSK	South Korea	1,829	
	Realtek Semiconductor	Taiwan	4,122	
	Tokyo Seimitsu	Japan	960	
	Wonik IPS	South Korea	971	
			20,539	1.6
Software	Audinate	Australia	255	
	Bigtincan	Australia	3,018	
	Bravura Solutions	Australia	536	
	Chanjet Information Technology**	China	1,241	
	CRESCO	Japan	1,315	
	ELMO Software	Australia	1,727	
	Family Zone Cyber Safety	Australia	509	
	Fasoo	South Korea	1,564	
	GMO GlobalSign	Japan	1,556	
	Hatena	Japan	499	
	HENNGE K.K.	Japan	930	
	intelliHR	Australia	145	
	Internetworking & Broadband Consulting	Japan	422	
	Kaonavi	Japan	2,020	
	Kingdee International Software**	China	5,991	
	LiveTiles	Australia	257	
	OBIC Business Consultants	Japan	1,514	
	ORO	Japan	572	
	PCA	Japan	1,140	
	PKSHA Technology	Japan	523	
	Property Data Bank	Japan	1,420	
	Sansan	Japan	466	
	SpiderPlus	Japan	652	
	Symbio	Australia	492	
	TeamSpirit	Japan	761	
	TerraSky	Japan	4,008	
	User Local	Japan	1,046	
	WantedLab	South Korea	772	
	Whispir	Australia	592	
	WiseTech Global	Australia	3,801	
	Xref	Australia	948	
	Yappli	Japan	142	
	Zuken	Japan	1,629	
			42,463	3.2
Technology Hardware	Advantech	Taiwan	2,048	
	Chicony Electronics	Taiwan	2,603	
	E Ink	Taiwan	7,444	
	Innox Advanced Materials	South Korea	1,204	

DETAILED LIST OF INVESTMENTS CONTINUED

AT 31 DECEMBER 2022

Classification	Name		Value £'000	%
ASIA PACIFIC continued	Lanner Electronics	Taiwan	4,410	
	Parade Technologies	Taiwan	2,080	
	SOLUM	South Korea	2,049	
	Tripod Technology	Taiwan	4,380	
			26,218	2.0
Technology Services	Ansarada	Australia	3,720	
	Chinasoft	Hong Kong	2,015	
	Cyber Security Cloud	Japan	1,700	
	Cybertrust Japan	Japan	1,178	
	EML Payments	Australia	246	
	Infomart	Japan	494	
	Net Protections	Japan	755	
	Nitro Software	Australia	750	
	Plaid	Japan	142	
	RAKUS	Japan	906	
	Senetas	Australia	1,037	
	Uzabase	Japan	2,198	
	WingArc1st	Japan	3,110	
			18,251	1.4
	TOTAL ASIA PACIFIC EQUITIES		145,477	11.2
CONVERTIBLE LOAN STOCKS HAVING AN ELEMENT OF EQUITY				
	● Cyren Convertible 5.75% 19 Mar 2024 Restricted		827	
	● i-nexus Global 8% Convertible Loan Note 4 Nov 2023		600	
	● i-nexus Global 8% Convertible Loan Note 29 Sep 2024		400	
	● Kromek Convertible 8% 31 Jan 2024		1,000	
	● Zinc Media Convertible 8% Loan 31 Dec 2024		959	
	● Zinc Media Convertible Libor+4 Rate Bank Loan 31 Dec 2024		1,052	
	● Zinc Media Convertible Variable Rate Loan 31 Dec 2024		377	
	TOTAL CONVERTIBLE LOAN STOCKS HAVING AN ELEMENT OF EQUITY		5,215	0.4
Total Equity Investments			1,146,873	87.9
Fixed Interest	UK Government Bond 0.125% 31 Jan 2023		29,923	
	UK Government Bond 2.25% 07 Sep 2023		14,886	
	US Treasury Stock 0.125% 31 Jan 2023		8,247	
	US Treasury Stock 1.625% 30 Apr 2023		24,584	
	TOTAL FIXED INTEREST		77,640	5.9
Total Investments			1,224,513	93.8
Net Liquid Assets+			80,535	6.2
Total Assets At Market Value			1,305,048	100.0

\+ Cash, current assets and liabilities

● denotes unlisted security

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 £236m 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 2,190.8% or 11.4% on an annualised basis.

TOTAL RETURN SINCE INCEPTION

+2,190.8%

ANNUALISED TOTAL RETURN SINCE INCEPTION

+11.4%

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)/ premiumA %
≠ Inception	64,107	–	64,107	65,000	98.70	90.90◇	(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)**

* The diluted net asset value per ordinary share figures have been calculated in accordance with FRS102 (2015-2022), FRS22 (2008-2014), FRS14 (1995-2007).

A Alternative Performance Measure - see page 82.

≠ 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 2022

12.1%

5 YEAR COMPOUND ANNUAL GROWTH IN NAV PER SHARE

8.9%

10 YEAR COMPOUND ANNUAL GROWTH IN NAV PER SHARE

12.7%

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[A] %	Net gearing/ cash[A]	Gross gearing[A]
2012	9,164	750	0.94	1.00	1.08	104	114
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	0.05	–	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**

¶ 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 69).

A Alternative Performance Measure - see page 82.

CUMULATIVE PERFORMANCE (TAKING 2012 AS 100)

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	Earnings per ordinary share
2012	100	100	100	100	100	100
2013	127	134	128	138	103	(41)
2014	129	128	119	158	104	(201)
2015	139	145	125	168	106	(5)
2016	171	172	136	251	108	62
2017	217	228	162	270	113	72
2018	207	210	133	283	116	9
2019	264	288	158	366	118	5
2020	361	438	163	506	120	(638)
2021	430	488	192	582	129	(886)
2022	**332**	**347**	**146**	**418**	**146**	**22**

COMPOUND ANNUAL RETURNS

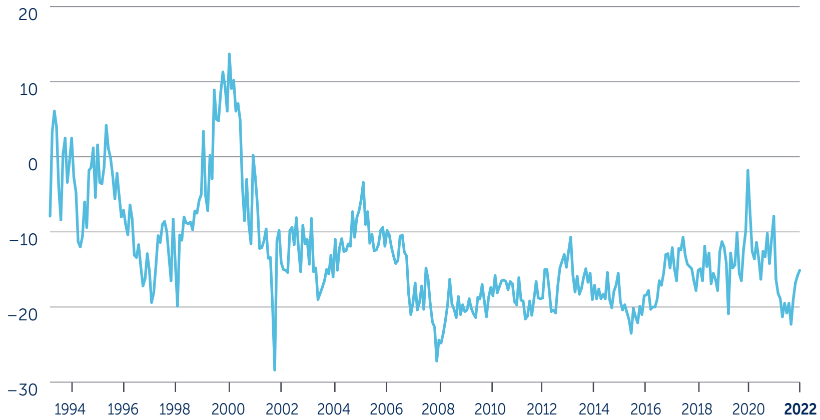
At 31 December	Diluted net asset value per share	Share price p	Numis Smaller Cos plus AIM Index	Russell 2000® Technology Index	Retail price index
5 year	8.9%	8.8%	–2.1%	9.1%	5.3%
10 year	12.7%	13.2%	3.9%	15.4%	3.9%

Past performance is not a reliable indicator to future performance.

DISCOUNT TO NAV
31 DECEMBER 2022

15.1%

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



Source: Refinitiv

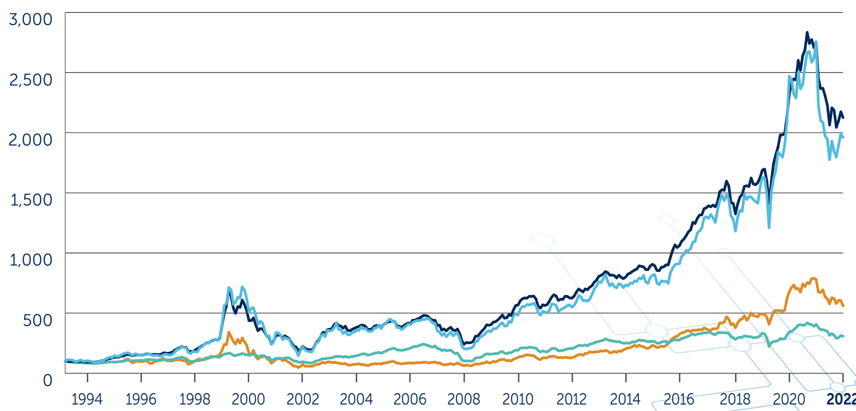
CAPITAL RETURN SINCE INCEPTION

	31 December 2022	Inception 16 February 1994	% change
Net asset value per ordinary share (including current year revenue)[A]	2,099.05p	98.70p	2,026.70
Net asset value per ordinary share (excluding current year revenue)[A]	2,098.83p	98.70p	2,026.47
Share price	1,782.00p	90.90p	1,860.40
Numis Smaller Companies plus AIM (ex. investment companies) Index	5,406.82	1,750.00	208.96
2000® Technology Index (small cap) (in sterling terms)[†]	3,814.11	688.70*	453.81

A Alternative Performance Measure – see page 82.
* 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 (excluding investment companies) Index
Russell 2000® Technology Index (small cap) (in sterling terms)



Source: Refinitiv

Governance

34 Strategic Report
41 Your Board of Directors
42 Corporate Governance Report
46 Audit Committee Report
48 Directors' Report
50 Directors' Remuneration Report
53 Statement of Directors' Responsibilities
54 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 49).

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'), formerly Sanne Fund Services (UK) Limited.

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 82 and 83.

SHARE CAPITAL

At 31 December 2022 the Company's capital structure consisted of 62,173,223 ordinary shares of 25p each (2021 – 64,754,112 ordinary shares). During the year 2,580,889 (2021 – 1,029,306) 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 15 February 2023, 50,771 shares have been bought-back for cancellation at an average price of 1829.36 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 44 and 45 and the audit committee report on pages 46 and 47). 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 impact of the Russian-Ukraine war, which has magnified uncertainty in global financial markets, together with the ongoing secondary effects of Covid including supply chain issues and China's now historic zero Covid policy. Inflation and the resultant volatility that it created in the global stock markets was a key risk during the financial year. Tensions between the US and China were also considered by the board.

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.

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 72 to 77, and a description of the internal controls operated by the Company is on pages 44 and 45. 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 likely recession in 2023.

Geopolitical risk ⇔

Political developments can create risks to the value of the Company's assets. For example the Russian war in Ukraine has disrupted supply lines and intensified the rise in energy prices and US-China-Taiwan trade tensions could disrupt technology supply lines.

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.

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 350 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.

STRATEGIC REPORT CONTINUED

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.

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 ⇩

The pandemic remains an ongoing risk with both primary and consequential negative effects, such as supply chain disruption. Its impact has been reduced given the introduction of vaccination programmes and the adaptability of people and businesses to return to a normalised environment although the position in China remains of concern. During the year, the board continued to monitor, together with the Manager, the market and operational risks associated with the Covid-19 pandemic 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 has been lowered given the lifting of government restrictions in most countries and the adaptation of markets that has occurred to date.

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

The board's policy on diversity is set out on page 42. The board has decided that notwithstanding that disclosure of the gender and ethnic diversity composition of the board is not required by the FCA until next year's annual report and accounts, the Company is making a voluntary disclosure this year. This is set out under the board diversity section on pages 42 and 43.

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

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 2022, 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 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. 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.

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 15.4% 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 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.

INVESTEE 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 48 and the Company has given shareholders the option to receive electronic copies of annual reports and other information.

STRATEGIC REPORT CONTINUED

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 and 40 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. In early 2022, the Manager's report on the Stewardship activities it undertook during 2021 was submitted to the FRC (Stewardship Code Report). In September 2022, the FRC confirmed that the Manager had met the expected standard of reporting and it was listed as a signatory to the UK Stewardship Code 2020. In addition, 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 2021 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 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 undertook a recruitment exercise to appoint a chairman designate culminating in the appointment of Andrew Joy as non-executive director. He will succeed the current chairman of the board, Tom Black, who is due to retire at the conclusion of the AGM in April 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.
- 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 rising global tensions – for example between China and the US over Taiwan and the war in Ukraine – and 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 44 and 45, 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 2022, Katie Potts held 412,244 (2021 – 398,940) of the Company's shares.

At 31 December 2022, the Company was the beneficial owner of 15.4% (2021: 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') 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 carbon emissions and this is included in the Directors' Report on page 48.

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 the Manager, 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.

STRATEGIC REPORT CONTINUED

4. The Manager is a signatory of the PRI, the globally recognised accord for responsible investment. The Manager is also a signatory to the FRC Stewardship Code 2020. In addition, the Manager is a supporter of the Task Force for Climate-related Financial Disclosure (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 encourage 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 vote the vast majority of the Company's shares by proxy using the ISS system, although in exceptional circumstances the Manager 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, the Manager 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.

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

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

TOM BLACK
CHAIRMAN
15 February 2023

YOUR BOARD OF DIRECTORS

TOM BLACK

Tom Black was appointed to the board on 1 May 2013 and became Chairman of the board and nomination committee on 1 March 2021. He will retire from the board and the Company at the conclusion of the AGM in April 2023. He is chairman of Thruvision Group plc, and has advisory roles with a number of smaller unlisted businesses. He is chairman and trustee of the Black Family Charitable Trust and the Edward Barnsley Educational Trust. He was previously chief executive of Detica Group Plc, a leading company in the field of large-scale information collection and analysis for intelligence and counter fraud applications.

As a successful entrepreneur he recognises the challenges of starting and growing an early-stage technology company and listing it on the London Stock Exchange. He understands the smaller companies remit of the Company.

ANDREW JOY

Andrew Joy was appointed to the board on 1 October 2022 as director and chairman designate. He will take over from Tom Black when he retires at the conclusion of the AGM in April 2023. Andrew was chairman of The Biotech Growth Trust plc until July 2022. He is also a senior advisor of Stonehage Fleming, a leading international multi-family office, chairman of the investment committee of FPE Capital and is a trustee of several charities. For one of these charities, he chairs the investment committee of a £300m endowment.

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 is former chairman of the British Venture Capital and Private Equity Association 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), and a member of London Stock Exchange's AIM Advisory Group.

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 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, until recently, 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 in recruitment of the chairman's successor and ensuring the Company's legal agreements are in line with best practice.

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 and 38 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 44 and 45. 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 is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda. Tom Black is the chairman of the Company and Andrew Joy as chairman-designate will succeed him at the conclusion of the AGM in April 2023.

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 Tom Black, who is retiring, and Andrew Joy, 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.

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 41.

Implementation of the Board's Diversity Policy

The board has taken note of the new targets set out in the FCA's Listing Rules 9.8.6R(9)(a) which requires that at least 40% of individuals on the board are women; at least one of the senior board positions is held by a woman; and at least one individual on the board is from a minority ethnic background. Although the board is not required to report against these targets until the 2023 annual report, the board has resolved to do so on a voluntary basis for the year ended 31 December 2022.

At 31 December 2022 and at the date this Report and Accounts was signed, the board comprised six non-executive directors. Two are women and none are ethnically diverse. With the forthcoming retirement of Tom Black, the board will comprise five non-executive directors, of whom two (40%) are women. The FCA's Listing Rules also propose that one of the senior board positions (as defined by the FCA) is held by a woman. The board considers the chair of the audit committee of an investment company to be 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.

The Company is not in compliance with the Listing Rules requirement for at least one board member to be from a minority ethnic background. It intends, when further board recruitment is undertaken, to require the appointed search advisers to have particular regard to seeking ethnically diverse candidates.

Board as at 31 December 2022

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 2022.

	Number of board members	Percentage of the board	Number of senior positions on the board
Men	4	67%	2[1]
Women	2	33%	1[2]

1. The positions of chairman of the board and senior independent director are held by men.
2. The position of chairman of the audit committee is held by a woman.

	Number of board members	Percentage of the board	Number of senior positions on the board
White British or other White (including minority-white groups)	6	100%	3
Minority ethnic	0	0%	0

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 5	Audit 2	Nomination 1
Tom Black[1]	5	2	1
Stephanie Eastment	5	2	1
Andrew Joy[2]	2	–	1
Henrietta Marsh	5	2	1
Karl Sternberg	5	2	1
James Will	5	2	1

1. The chairman is not a member of the audit committee, but attends the committee by invitation of the audit chair.
2. Andrew Joy attended all meetings following his appointment on 1 October 2022.

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 46 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 50.

DIRECTORS: ELECTION AND RE-ELECTIONS

Andrew Joy was appointed as a director on 1 October 2022 and will stand for election at the AGM to be held on 18 April 2023.

All other directors of the Company served throughout the year under review. Following a board evaluation which determined that the board remained effective, all directors, except Tom Black who will retire at the conclusion of the AGM, will stand for re-election at the AGM to be held on 18 April 2023 in accordance with the AIC Code. The biographies of the directors are set out on page 41 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

CORPORATE GOVERNANCE REPORT CONTINUED

— the demands on each candidate's time and consideration of their other commitments.

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

— completed its search for a chairman-designate and recommended his 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;

— updated the Company's succession planning;

— 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 voluntary disclosure on diversity targets; and

— reviewed and approved the Company's tenure and succession planning policy.

As a result of the committee's succession planning, the committee determined that a new chairman-designate should be appointed taking the board to six members. As mentioned elsewhere in the annual report, the current chairman excused himself from the committee when it considered his successor and Andrew Joy was appointed as director and chairman-designate with effect from 1 October 2022.

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.

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 Stephanie Eastment, Henrietta Marsh, Karl Sternberg and James Will, and the election of Andrew Joy at the forthcoming AGM in April 2023.

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 and 36.

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.

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 depositary, 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 53.

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 may meet with larger shareholders and reports to the board. The chairman also meets with shareholders both with the Manager and on his own. 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 81.

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 2022 received 20% or more of the votes cast against.

PURCHASE OF OWN SHARES

At the AGM of the Company to be held on 18 April 2023, 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 78. 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

TOM BLACK
CHAIRMAN
15 February 2023

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 2022 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 balance sheet 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 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 fourth 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.

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
15 February 2023

DIRECTORS' REPORT

The directors present their directors' report for the year ended 31 December 2022. The strategic report and the corporate governance report on pages 42 to 45 form a part of the Directors' Report.

RESULTS AND DIVIDEND

The net asset value (NAV) of the Company as at 31 December 2022 was 2,099.1p per ordinary share (2021 – 2,719.3p). This represented a decrease of 22.8% during the year, compared to a decrease in the comparative total return indices of 21.9% (Numis Smaller Companies plus AIM (ex. investment companies) Index) and a decrease of 28.4% Russell 2000® Technology Index (small cap) (in sterling terms)). The discount at year end was 15.1% (2021 – 7.9%).

The directors do not recommend a dividend for the year ended 31 December 2022 (2021 – nil).

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 41.

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 between China and the US over Taiwan and the war in Ukraine and climate change. 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 2022.
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 Tom Black and Henrietta Marsh are both 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 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.

NOTIFIABLE 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	12.0%
Allspring Global Investments, LLC	7.0%
Lazard Asset Management LLC	5.7%
Hargreaves Lansdown Stockbrokers	5.5%
Interactive Investor Services Limited	5.2%
Investec Wealth & Investment Limited	4.8%
JM Finn & Co Ltd	4.5%
Brewin Dolphin Securities	3.9%
Charles Stanley & Co	3.4%

Since year end and up to the date of this report there had been no notifiable interests declared 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 0.98 against a maximum of 2.00 (2021 – 0.96: 2.00) and on a 'commitment' basis, 1.00 against a maximum of 2.00 (2021 – 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.

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 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 18 April 2023 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 2023 AGM.

SPECIAL RESOLUTION 11: BUY BACK OF THE COMPANY'S ORDINARY SHARES

Resolution 11 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 9,312,155 ordinary shares as at 15 February 2023). The Authority will expire at the conclusion of the AGM to be held in 2024. The board will only utilise this authority when they believe it to be in the interest of shareholders to do so and as a means of narrowing any discount at which the Company's shares are trading against its then prevailing net asset value, providing market conditions are favourable to such a transaction.

SPECIAL RESOLUTION 12 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

TOM BLACK
CHAIRMAN
15 February 2023

DIRECTORS' REMUNERATION REPORT

1. CHAIRMAN'S ANNUAL STATEMENT

Dear Shareholder

I present below the Company's remuneration report for the year ended 31 December 2022.

Our remuneration policy was last approved by shareholders at the 2020 AGM. The policy is set out on page 51 in the Company's 2021 annual report. In accordance with statute, the remuneration policy must be put to shareholders for approval every three years accordingly a resolution for its approval will be put to shareholders at the forthcoming AGM.

There are two changes to the remuneration policy from that voted on by shareholders in 2020.

Firstly, the amount of the aggregate limit for fees set out in the Company's articles of association is increased from £200,000 to £250,000. This increase was approved by shareholders at the last AGM.

Secondly, the removal of the following section: 'If the board concludes that it is appropriate to increase fees during the three year period that the policy is in force, such increase (or increases) will be limited to a maximum total increase of 20% of the amounts payable when the policy was approved.'

During the board's annual review of fee rates it was identified that the level of fees generally are at the low end of comparable market fee levels, particularly for directors with additional responsibilities such as the chairman and the audit chairman. It is therefore the board's proposal to remove this clause which directly contradicts other parts of the policy requiring fee levels to attract and retain directors and for fee levels to be fair and comparable to that of other trusts of the same size. The board will continue to review fees as set out in the revised policy, and shareholders have an annual opportunity to vote on the directors' remuneration report.

I confirm that the board has complied with the 2020 policy during the year ended 31 December 2022. 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 2022 £**	Fee Rate from 1 July 2021 £	Percentage Increase for the year %
Chairman	**42,900**	39,590	8.4%
Audit Committee Chair	**33,000**	32,100	2.8%
Senior Independent Director	**30,800**	29,750	3.5%
Director	**28,000**	26,250	6.7%

In reviewing the level of fees in July 2022 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 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 54 to 59.

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 2023. 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

3. ANNUAL DIRECTORS' REMUNERATION REPORT FOR THE YEARS ENDING 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 2022 and the prior two years is as follows:

		2022			2021			2022	2021	2020
	Notes	Fees £	Taxable expenses[6] £	Total £	Fees £	Taxable expenses[6] £	Total £	%	Percentage change of basic fees[7] %	%
Ian Russell	1	–	–	–	6,167	–	6,167	n/a	−83.0	15.6
Tom Black	2	41,245	969	42,214	36,236	–	36,236	13.8	47.9	5.4
Stephanie Eastment		32,550	–	32,550	31,050	–	31,050	4.8	8.0	8.5
Andrew Joy	3	7,000	–	7,000	n/a	n/a	n/a	n/a	n/a	n/a
Henrietta Marsh	4	27,125	–	27,125	25,625	–	25,625	5.9	4.6	206.7
Karl Sternberg		27,125	–	27,125	25,625	–	25,625	5.9	4.6	5.4
James Will	5	30,275	1,176	31,451	27,375	–	27,375	10.6	11.7	5.4
Total		165,320	2,145	167,465	152,078	–	152,078			

Notes:
1. Ian Russell resigned on 1 March 2021 and the 2021 annual % change decrease in his reflects this.
2. The 47.9% increase in 2021 for Tom Black arose mainly from his appointment as chairman on 1 March 2021.
3. Andrew Joy was appointed as a director on 1 October 2022. No percentage increases are therefore shown.
4. The 206.7% increase in 2020 for Henrietta Marsh reflects her appointment as a non-executive director in 2019.
5. 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.
6. Taxable expenses incurred by the board in carrying out their duties as directors of the Company normally travel costs to attend board meetings. However, no travel costs were incurred in 2021 because all meetings were held remotely due to Covid-19 restrictions.
7. 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 the boards 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	2022 £'000	2021 £'000
Tom Black	6,900	6,900
Stephanie Eastment*	3,200	2,900
Andrew Joy	6,000	–
Henrietta Marsh	1,000	–
Karl Sternberg	10,826	7,826
James Will	6,000	6,000

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

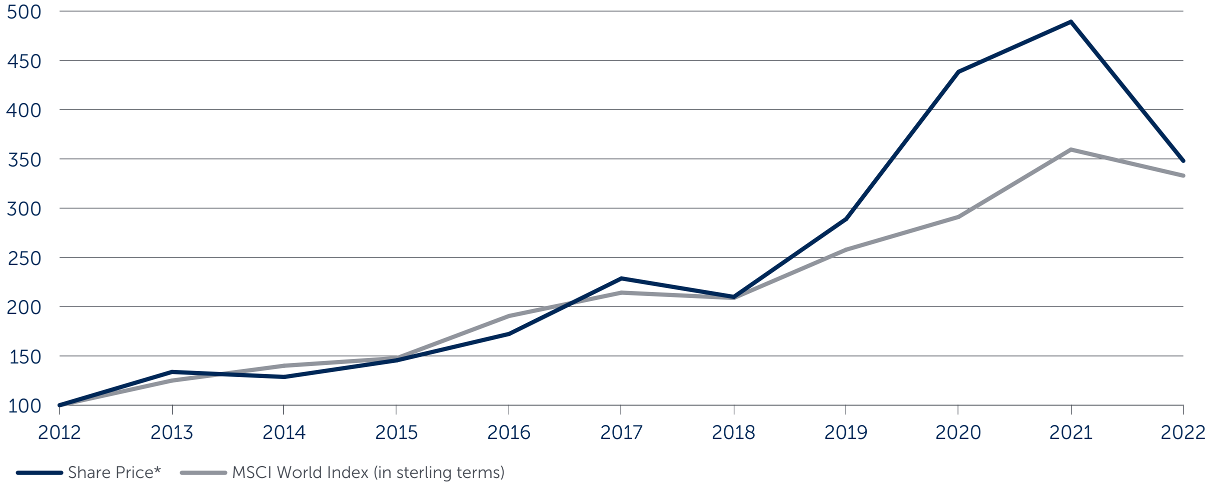
There have been no changes to any of the directors' share interests in the period from 1 January 2023 to the date of this report.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2012)



Source: Refinitiv
* 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.

	2022 £'000	2021 £'000
Total spend – directors' fees	165	152
Total distributed to shareholders – dividends	–	–
– share buybacks	50,302	22,885

VOTING ON REMUNERATION MATTERS

At the AGM on 19 April 2022 the resolution to receive and approve the directors' remuneration report for the year ended 31 December 2021 received the following votes: for – 99.87% (23,255,725 votes); against – 0.13% (29,311 votes). 11,477 votes were withheld.

The remuneration policy was last approved by shareholders on 17 April 2020 with 99.95% of votes in favour (35,853,928 votes); 0.05% votes against (19,055 votes). 12,643 votes were withheld.

The directors' annual remuneration report set out above (section 3) was approved by the board of directors on 15 February 2023 and signed on its behalf by

TOM BLACK
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 41 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

TOM BLACK
15 FEBRUARY 2023

INDEPENDENT AUDITORS' 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 2022 and of its loss 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 Balance Sheet as at 31 December 2022; the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement 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 the AIFM, Apex Listed Companies Services (UK) Limited (the 'Company Secretary') and The Bank of New York Mellon (International) Limited with whom the AIFM has engaged to provide certain administrative functions.
- 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: £13,000,000 (2021 – £17,600,000) based on approximately 1% of Net Assets.
- Performance materiality: £9,750,000 (2021 – £13,200,000).

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. 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.

Ability to continue as a going concern – Continuation Vote, which was a key audit matter last year, is no longer included because of the absence of a Continuation Vote within the next 12 months. Otherwise, the key audit matters below are consistent with last year.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation and existence of investments Refer to Audit Committee Report, Accounting Policies and Notes to the Financial Statements. The investment portfolio at 31 December 2022 comprised of listed investments of £1,210.8m and £13.7m of unlisted 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.	We tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third-party sources. For a sample of unlisted 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. We also considered the potential impact of climate change on the valuation of the unlisted investments. 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 2022. No material misstatements were identified from this testing.
Income from investments Refer to Accounting Policies and Notes to the Financial Statements. 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. 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").	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. We understood and assessed the design and implementation of key controls surrounding income recognition. 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 Investments 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. In addition, we tested dividend receipts by agreeing the dividend rates from all investments to independent third party sources. We tested the allocation and presentation of dividend income, including special dividends, between income and capital by agreeing treatments to third party sources. 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. No material misstatements were identified from this testing.

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

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 unlisted 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	£13,000,000 (2021 – £17,600,000).
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% (2021 – 75%) of overall materiality, amounting to £9,750,000 (2021 – £13,200,000) 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 £650,000 (2021 – £880,000) 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, including the ongoing impact of Covid-19, rising inflation, Russia's invasion of Ukraine, and the subsequent economic uncertainty;

— 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.

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 2022 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;

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

— 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 also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

— discussions with the AIFM 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;

- assessment of 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.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

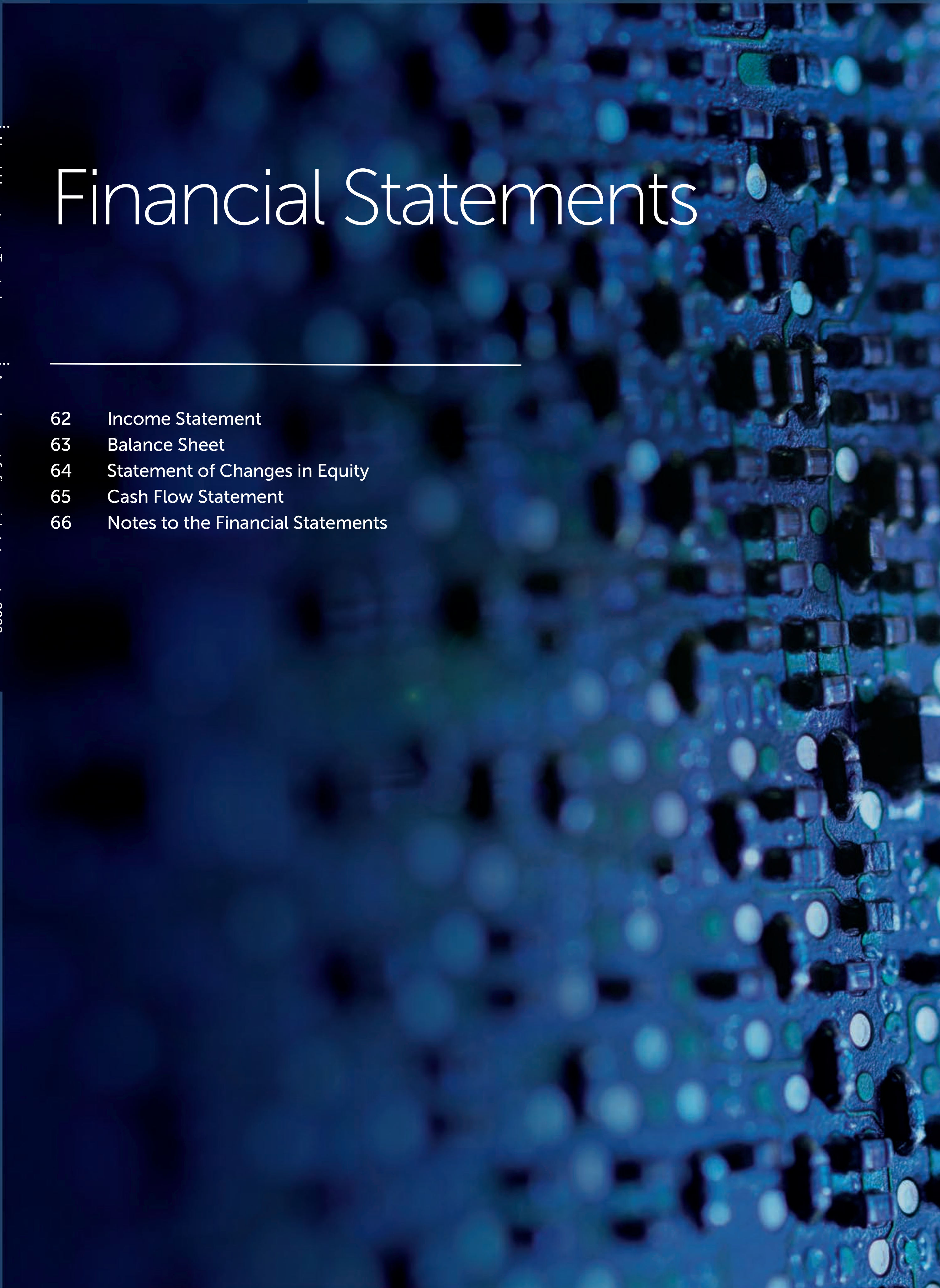
APPOINTMENT

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 four years, covering the years ended 31 December 2019 to 31 December 2022.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
15 February 2023

Financial Statements

62 Income Statement
63 Balance Sheet
64 Statement of Changes in Equity
65 Cash Flow Statement
66 Notes to the Financial Statements



INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments	9	**–**	**(409,797)**	**(409,797)**	–	285,355	285,355
Gains on foreign exchange		**–**	**4,144**	**4,144**	–	466	466
Income	2	**15,326**	**–**	**15,326**	12,253	–	12,253
Investment management fee	3	**(13,653)**	**–**	**(13,653)**	(16,102)	–	(16,102)
Other administrative expenses	4	**(996)**	**(9)**	**(1,005)**	(1,065)	(9)	(1,074)
Profit/(loss) before taxation		**677**	**(405,662)**	**(404,985)**	(4,914)	285,812	280,898
Taxation	6	**(542)**	**–**	**(542)**	(503)	–	(503)
Profit/(loss) after taxation		**135**	**(405,662)**	**(405,527)**	(5,417)	285,812	280,395
Profit/(loss) per ordinary shares (basic and diluted)	8	**0.21p**	**(641.23)p**	**(641.02)p**	(8.33p)	439.51p	431.18p

There is no final dividend proposed (2021 – nil). More information on dividend distributions can be found in note 7 on page 69.

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

The (loss)/profit 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 66 to 77 are an integral part of this statement.

BALANCE SHEET

At 31 December

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	**1,224,513**	1,683,482
Current assets			
Cash and cash equivalents		**80,442**	74,551
Other receivables	10	**1,308**	4,374
		81,750	78,925
Current liabilities			
Other payables	11	**(1,215)**	(1,530)
		(1,215)	(1,530)
Net current assets		**80,535**	77,395
TOTAL NET ASSETS		**1,305,048**	1,760,877
Capital and reserves			
Called up share capital	12	**15,543**	16,189
Share premium	13	**73,738**	73,738
Capital redemption reserve	13	**6,409**	5,763
Capital reserve	13	**1,217,387**	1,673,351
Revenue reserve	13	**(8,029)**	(8,164)
TOTAL SHAREHOLDERS' FUNDS		**1,305,048**	1,760,877
NET ASSET VALUE PER ORDINARY SHARE (including current year income)	14	**2,099.05p**	2,719.33p
NET ASSET VALUE PER ORDINARY SHARE (excluding current year income)	14	**2,098.83p**	2,727.70p

The financial statements of Herald Investment Trust plc (company registration number 02879728) were approved by the board of directors and authorised for issue on 15 February 2023 and signed on its behalf by

TOM BLACK
CHAIRMAN

The accompanying notes on pages 66 to 77 are an integral part of this statement.

STATEMENT OF CHANGES IN EQUITY

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**

For the year ended 31 December 2021

	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 2021		16,446	73,738	5,506	1,410,424	(2,747)	1,503,367
Profit/(loss) after taxation		–	–	–	285,812	(5,417)	280,395
Shares purchased for cancellation	12	(257)	–	257	(22,885)	–	(22,885)
Shareholders' funds at 31 December 2021		16,189	73,738	5,763	1,673,351	(8,164)	1,760,877

The accompanying notes on pages 66 to 77 are an integral part of this statement.

CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	**2022 £'000**	**2022 £'000**	2021 £'000	2021 £'000
Cash flow from operating activities					
(Loss)/profit before finance costs and taxation		**(404,985)**		280,898	
Adjustments for losses/(gains) on investments		**409,797**		(285,355)	
Purchase of investments		**(191,478)**		(206,289)	
Sale of investments		**244,408**		235,293	
(Increase)/decrease in receivables		**(144)**		358	
(Decrease)/increase in payables		**(315)**		128	
Amortisation of fixed income book cost		**(507)**		(2)	
Effect of foreign exchange rate changes		**(4,144)**		(466)	
Overseas tax on overseas income		**(583)**		(524)	
Net cash inflow from operating activities			**52,049**		24,041
Cash flow from financing activities					
Shares purchased for cancellation	12	**(50,302)**		(22,885)	
Net cash outflow from financing activities			**(50,302)**		(22,885)
Net increase in cash and cash equivalents			**1,747**		1,156
Cash and cash equivalents at start of the year			**74,551**		72,929
Effect of foreign exchange rate changes			**4,144**		466
Cash and cash equivalents at the end of the year			**80,442**		74,551
Comprised of:					
Cash and cash equivalents			**80,442**		74,551

Cash flow from operating activities includes interest received of £1,078,000 (2021 – £777,000) and dividends received of £12,924,000 (2021 – £11,269,000).

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 66 to 77 are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the year to 31 December 2022 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 income statement.

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 income statement.

(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 income statement. 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 income statement except where they relate directly to the acquisition or disposal of an investment (transaction costs) and are taken to the income statement 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 income statement.

(H) DEFERRED TAXATION

Deferred taxation is provided on all timing differences which have originated but not reversed at the balance sheet 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 balance sheet date. Exchange differences of a revenue or capital nature are taken to the revenue or capital reserves respectively through the income statement.

(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 balance sheet 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 2022, 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

	2022 £'000	2021 £'000
Dividend income from investments		
UK dividends from listed investments	**3,499**	3,407
UK dividends from unlisted investments (inc AIM)	**4,173**	3,093
Overseas dividends from UK-listed and AIM companies	**384**	439
Overseas dividend income	**5,375**	4,670
	13,431	11,609
Interest income from equity investments		
Income from unlisted (inc AIM) UK convertible bonds	**363**	269
Income from unlisted US convertible bonds	**49**	44
	412	313
Fixed interest		
UK interest from government securities	**391**	(16)
Overseas interest from government securities	**648**	361
	1,039	345
Other income		
Deposit interest	**444**	(20)
Underwriting commission	**–**	6
	444	(14)
Total income	**15,326**	12,253

Included within dividend income are special dividends of £655,000 (2021 – £706,000). Included within deposit interest is interest received of £449,000 (2021 – £nil), and interest paid of £5,000 (2021 – 20,000).

3. INVESTMENT MANAGEMENT FEE

	2022 £'000	2021 £'000
Investment management fee	**13,653**	16,102

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 2022

4. OTHER ADMINISTRATIVE EXPENSES

	2022 £'000	2021 £'000
Custodian's fees	**105**	126
Registrar's fees	**34**	33
Directors' fees	**165**	152
Auditor's fees – statutory audit*	**44**	38
Depositary's fees	**261**	293
Miscellaneous expenses	**387**	423
	996	1,065

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

Other capital administration expenses of £9,000 (2021 – £9,000) consist of custodian transaction charges.

5. FINANCE COSTS OF BORROWING

There were no finance costs of borrowing during the year (2021 – £nil).

6. TAXATION

	2022 £'000	2021 £'000
Analysis of charge in year		
Overseas taxation	**542**	503
Factors affecting tax charge for year		
The tax charge for the year is higher (2021 – lower) than the standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%). The differences are explained below:		
(Loss)/profit before taxation	**(404,985)**	280,898
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%)	**(76,947)**	53,371
Effects of:		
Capital (losses)/gains not taxable	**77,862**	(54,218)
UK dividends not subject to UK tax	**(1,458)**	(1,227)
Overseas dividends not subject to UK tax	**(1,093)**	(980)
Capital gains on foreign exchange movements not subject to tax	**(789)**	(87)
Disallowable expenses	**2**	2
Overseas withholding tax	**542**	503
Movement in excess management expenses	**2,423**	3,139
Total tax charge for the year	**542**	503

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

There is no UK corporation tax charge for the year ended 31 December 2022 or 31 December 2021 as the Company has unrelieved management expenses which are available to be carried forward. The tax charge for the year to 31 December 2022 and 2021 comprises overseas withholding taxes incurred.

At 31 December 2022, the Company had a potential deferred tax asset of £36m (2021 – £33m) on taxable losses of £145m (2021 – £132m) 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% (2021 – 25%).

The Finance Act 2021 increases the UK corporation tax rate from 19% to 25% effective 1 April 2023. The rate was substantively enacted on 24 May 2021. Deferred tax assets and liabilities on balance sheets prepared after the substantive enactment of the new tax rate must therefore be re-measured accordingly, so as a result the deferred tax asset has been calculated at 25%.

7. DIVIDENDS ON ORDINARY SHARES

	2022	2021	**2022 £'000**	2021 £'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 revenue available for distribution for the year ended 31 December 2022 (2021 – £nil).

	2022	2021	**2022 £'000**	2021 £'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

	2022 Revenue	**2022 Capital**	**2022 Total**	2021 Revenue	2021 Capital	2021 Total
	0.21p	**(641.23p)**	**(641.02p)**	(8.33p)	439.51p	431.18p

Revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation respectively, revenue profit of £135,000 (2021 – revenue loss of £5,417,000), capital loss of £405,662,000 (2021 – capital profit of £285,812,000) and total loss of £405,527,000 (2021 – total profit of £280,395,000) and on 63,262,344 ordinary shares (2021 – 65,029,043) 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

	2022 £'000	2021 £'000
Financial assets designated at fair value through profit or loss on initial recognition		
Listed UK – equity investments – London Stock Exchange	**171,127**	255,747
– AIM	**391,485**	573,973
Listed overseas – equity investments	**570,524**	801,029
Unquoted	**13,737**	10,485
Total equity investments	**1,146,873**	1,641,234
Government debt securities	**77,640**	42,248
Total investments in financial assets at fair value through profit or loss	**1,224,513**	1,683,482

See Detailed List of Investments on pages 21 to 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2022

9. FIXED ASSET INVESTMENTS CONTINUED

	Listed in UK £'000	Listed overseas £'000	AIM £'000	Unquoted £'000	**2022 Total £'000**	2021 Total £'000
Cost of investments at 1 January	91,936	411,753	271,996	14,866	**790,551**	685,469
Investment holding gains/(losses) 1 January	183,715	411,620	301,977	(4,381)	**892,931**	745,114
Fair value of investments at 1 January	275,651	823,373	573,973	10,485	**1,683,482**	1,430,583
Movements in the year:						
Purchases at cost	57,352	111,150	21,976	1,000	**191,478**	206,086
Sales proceeds	(51,312)	(140,994)	(47,342)	(69)	**(239,717)**	(236,300)
(Losses)/gains on investments	(66,002)	(189,052)	(156,606)	1,863	**(409,797)**	285,355
Amortisation of fixed income book cost	247	260	–	–	**507**	2
Transferred from AIM to unquoted	–	–	(516)	516	**–**	–
Return of capital/capital special dividends	–	(1,382)	–	(58)	**(1,440)**	(2,244)
Fair value of investments at 31 December	**215,936**	**603,355**	**391,485**	**13,737**	**1,224,513**	1,683,482
Cost of investments at 31 December	120,714	439,147	268,586	14,682	**843,129**	790,551
Investment holding gains/(losses) 31 December	95,222	164,208	122,899	(945)	**381,384**	892,931
Fair value of investments at 31 December	**215,936**	**603,355**	**391,485**	**13,737**	**1,224,513**	1,683,482
Cost of investments sales	**28,821**	**82,634**	**24,870**	**1,642**	**137,967**	98,762
(Losses)/gains on investments						
Net realised gains/(losses) on sales	22,491	58,360	22,472	(1,573)	**101,750**	137,538
Unrealised investment holding (losses)/gains	(88,493)	(247,412)	(179,078)	3,436	**(511,547)**	147,817
	(66,002)	**(189,052)**	**(156,606)**	**1,863**	**(409,797)**	285,355

The Company received £239,717,000 (2021 – £236,300,000) from investments sold in the year. The book cost of these investments when they were purchased was £137,967,000 (2021 – £98,762,000). 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 2022 was £13,737,000 (2021 – £10,485,000) and the investment is not considered material in the context of these financial statements.

At 31 December 2022, the Company was the beneficial owner of 15.4% (2021 – 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.

	2022 £'000	2021 £'000
Transaction costs		
Commission costs:		
Purchases	**284**	372
Sales	**209**	491
Total commission costs	**493**	863
Custody transaction costs	**9**	9
Other transaction costs	**91**	74
	593	946

10. OTHER RECEIVABLES

	2022 £'000	2021 £'000
Due within one year:		
Prepayments and accrued income	**1,166**	1,015
Other receivables	**–**	7
Sales for subsequent settlement	**–**	3,251
Taxation recoverable	**142**	101
	1,308	4,374

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

11. OTHER PAYABLES

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Other payables	**1,215**	1,530
	1,215	1,530

Included in other payables and accruals is £1,084,000 (2021 – £1,393,000) in respect of the investment management fee.

12. CALLED UP SHARE CAPITAL

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted, called up and fully paid ordinary shares of 25p:				
Brought forward	**64,754,112**	**16,189**	65,783,418	16,446
Shares bought back and cancelled	**(2,580,889)**	**(646)**	(1,029,306)	(257)
Carried forward	**62,173,223**	**15,543**	64,754,112	16,189

At the AGM held on 19 April 2022 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 2022 a total of 2,580,889 (2021 – 1,029,306) ordinary shares of 25p each with a nominal value of £646,000 (2021 – £257,000) were bought back and cancelled at a total cost of £50,302,000 (2021 – £22,885,000). At 31 December 2022 the Company had authority to buy back a further 7,990,933 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 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)**
At 1 January 2021	73,738	5,506	1,410,424	(2,747)
Shares purchased for cancellation	–	257	(22,885)	–
Gains on sales	–	–	137,538	–
Changes in unrealised investment holding gains	–	–	147,817	–
Other exchange differences	–	–	466	–
Custody transaction and capital legal costs	–	–	(9)	–
Losses after taxation	–	–	–	(5,417)
Balance at 31 December 2021	73,738	5,763	1,673,351	(8,164)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2022

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 £381,384,000 (2021 – £892,931,000) as disclosed in note 9. The capital reserve is non-distributable except for the buy back of shares.

The revenue reserve represents net revenue retained after payment of any dividends and is the only reserve from which dividends can be funded.

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:

	2022 per share (pence)	2021 per share (pence)	**2022 £'000**	2021 £'000
Total net assets (including current year revenue)	**2,099.05**	2,719.33	**1,305,048**	1,760,877
Less net revenue (profit)/loss after taxation	**(0.22)**	8.37	**(135)**	5,417
Total net assets (excluding current year revenue)	**2,098.83**	2,727.70	**1,304,913**	1,766,294

Net asset value per ordinary share is based on net assets as shown above and on 62,173,223 (2021 – 64,754,112) 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 2022 (2021 – 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. This 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 45.

17. FINANCIAL INSTRUMENTS

In accordance with the corporate objective of maximising capital appreciation the Company invests in securities on a worldwide basis. The Company can use gearing although no gearing was employed during the year. 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 2022 (2021 – 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 35.

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 69 and 70.

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 17 to 20.

Other Price Risk Sensitivity

14.9% of the Company's total equity investments at 31 December 2022 (2021 – 15.6%) were listed on the main list of the London Stock Exchange and a further 34.1% (2021 – 35.0%) on AIM. The NASDAQ Stock Exchange accounts for 21.5% (2021 – 20.9%), New York Stock Exchange for 3.6% (2021 – 3.2%) and other stock exchanges or unlisted 25.9% (2021 – 25.3%). A 10% increase in equity investment prices at 31 December 2022 would have increased total net assets and profit & loss after taxation by £114,687,000 (2021 – £164,123,000). 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

	2022 Fair value £'000	**2022 Weighted average interest rate/ interest rate**	**2022 Weighted average period until maturity/ maturity date**	2021 Fair value £'000	2021 Weighted average interest rate/ interest rate	2021 Weighted average period until maturity/ maturity date
Fixed rate:						
UK bonds	**44,809**	**0.8%**	**0.3 Years**	19,904	0.1%	1.1 Years
US bonds	**32,831**	**1.3%**	**0.3 Years**	22,344	1.4%	0.8 Years
UK convertible bonds	**2,000**	**9.0%**	**1.1 Years**	1,000	10.0%	2.2 Years
Overseas convertible bonds	**827**	**5.7%**	**1.2 Years**	739	5.7%	2.2 Years
Floating rate cash:						
Non-sterling	**49,675**	**0.5%**		56,529	0.0%	
Sterling	**30,767**	**0.6%**		18,022	0.0%	
	80,442			74,551		

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 2022 would have a direct effect on net assets. Based on the position at 31 December 2022, over a full year, an increase of 100 basis points would have increased the profit & loss after taxation by £804,000 (2021 – £746,000) and would have increased the net asset value per share by 1.29p (2021 – 1.15p). 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 2022 would have decreased total net assets and profit & loss after taxation by £224,000 (2021 – £388,000) and would have decreased the net asset value per share by 0.36p (2021 – 0.60p).
A decrease in bond yields would have had an equal and opposite effect. The convertible loan stocks having an element of equity 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 2022

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 would suffer 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 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**

At 31 December 2021

	Investments £'000	Cash and deposits £'000	Other receivables and payables £'000	Net exposure £'000
US dollar	418,793	48,271	3,348	470,412
Euro	147,215	41	91	147,347
Taiwan dollar	61,495	8,217	48	69,760
Australian dollar	51,690	–	–	51,690
Japanese yen	51,432	–	41	51,473
Norwegian krone	39,021	–	–	39,021
Korean won	21,767	–	103	21,870
Other overseas currencies	33,030	–	17	33,047
Exposure to currency risk on translation of valuations of securities listed in overseas currencies	824,443	56,529	3,648	884,620
Sterling	859,039	18,022	(804)	876,257
	1,683,482	74,551	2,844	1,760,877

Foreign currency risk sensitivity
At 31 December 2022, had sterling strengthened by 10% (2021 – 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% (2021 – 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.

	2022 £'000	2021 £'000
US dollar	**34,983**	47,041
Euro	**10,467**	14,735
Taiwan dollar	**5,407**	6,976
Japanese yen	**5,010**	5,147
Australian dollar	**2,623**	5,169
Norwegian krone	**2,433**	3,902
Korean won	**1,629**	2,187
Other overseas currencies	**2,909**	3,305
	65,461	88,462

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:

	2022 £'000	2021 £'000
Fixed interest investments	**77,640**	42,248
Cash and cash equivalents	**80,442**	74,551
Sales for subsequent settlement	**–**	3,251
	158,082	120,050

During the year the maximum exposure in fixed interest investments was £85,394,000 (2021 – £42,722,000) and the minimum £27,013,000 (2021 – £41,518,000). The maximum exposure in cash was £91,114,000 (2021 – £85,096,000) and the minimum £50,164,000 (2021 – £58,031,000).

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 1.1% of the Company's total assets at 31 December 2022 (2021 – 0.6%).

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. 13.9% (£158m) (2021 – 9.0% (£147m)) 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 2.4% (2021 – 1.7%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Year Ended 31 December 2022

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:

	2022 One year or less £'000	2021 One year or less £'000
Other payables	**1,215**	1,530
	1,215	1,530

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 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**

At 31 December 2021

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Equity investments	1,630,749	–	6,359	1,637,108
Government debt securities	42,248	–	–	42,248
Convertible loan stocks	–	–	4,126	4,126
Total investments	1,672,997	–	10,485	1,683,482

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

At 31 December 2022

	£'000
Opening balance at 1 January 2022	**10,485**
Purchases	**1,000**
Sales	**(69)**
Total (losses) or gains	
– on assets sold during the year	**(1,573)**
– on assets held at 31 December 2022	**3,436**
Assets transferred during the year	**516**
Return of capital	**(58)**
Closing balance at 31 December 2022	**13,737**

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 51 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 note 3 and 11.

19. POST BALANCE SHEET EVENTS

There are no significant events after the end of the reporting period requiring disclosure.

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 18 April 2023 at 11.30 am for the following purposes:

To consider and, if thought fit, approve resolutions 1 to 10 as ordinary resolutions and resolutions 11 and 12 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 2022.
2. To approve the Company's Remuneration Policy.
3. To approve the Directors' Remuneration Report, other than the Company's Remuneration Policy, for the year ended 31 December 2022.
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 Karl Sternberg as a director of the Company.
7. To re-elect James Will as a director of the Company.
8. To elect Andrew Joy as a director of the Company.
9. 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.
10. To authorise the audit committee to determine the remuneration of the independent auditor.

SPECIAL BUSINESS

11. 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 2024; 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.

12. 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 2024.

On behalf of the board
Apex Listed Companies Services (UK) Limited
Company Secretary

Registered Office:
10–11 Charterhouse Square London EC1M 6EE
15 February 2023

NOTES

1. 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.

2. 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 14 April 2023.

   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 14 April 2023 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.

3. 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.

4. 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. 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.

5. 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 Ireland 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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:

    (a) answer the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15 As at 15 February 2023 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 62,122,452 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 15 February 2023 were 62,122,452 votes.

16. 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 complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

17. 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, Unit 10, 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
(formerly Sanne Fund Services (UK) Limited)
6th Floor
125 London Wall
London
EC2Y 5AS

REGISTERED OFFICE
10–11 Charterhouse Square
London
EC1M 6EE

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

COMPANY NUMBER
02879728
(England and Wales)

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

SOLICITORS
Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

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

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

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

REGISTRARS
Link Group
10th Floor
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 2022 £'000**	31 December 2021 £'000
Cash and cash equivalents	63	A	**80,442**	74,551
Add : Government debt securities	69	B	**77,640**	42,248
Total cash and cash equivalents and government debt securities		C=A+B	**158,082**	116,799
Net assets	63	D	**1,305,048**	1,760,877
Add : borrowings		E	**–**	–
Net assets plus borrowings		F=D+E	**1,305,048**	1,760,877
Less: Total cash and cash equivalents and government debt securities		C	**(158,082)**	(116,799)
Total assets (excluding total cash and cash equivalents and government debt securities)		G=F-C	**1,146,966**	1,644,078
Gross gearing		F/D	**100**	100
Net gearing		G/D	**n/a**	n/a
Net cash		G/D	**88**	93

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 72. 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 2022, as shown on page 1, is calculated by taking 2022 total return and dividing by the opening NAV for the year (that is, the NAV disclosed for 31 December 2021).

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		**2022 £'000**	2021 £'000
Investment management fee	62	A	**13,653**	16,102
Other administrative expenses	62	B	**1,005**	1,074
Less: costs in relation to custody dealing and non-recurring expenses		C	**(24)**	(14)
Ongoing charges		D=A+B+C	**14,634**	17,162
Average net assets		E	**1,391,638**	1,683,345
Ongoing charges figure		D/E	**1.05%**	1.02%

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 2022	3	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%

	PAGE		Share Price	NAV
Opening at 1 January 2021	29	A	2,245.0p	2,285.3p
Closing at 31 December 2021	3	B	2,505.0p	2,719.3p
Price movements		C=(B-A)/A	11.6%	19.0%
Dividend reinvestment*		D	–	–
Total return		C+D	11.6%	19.0%

* No dividend has been declared for the year (2021-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 2022**	31 December 2021
Share Price (p)	3	A	**1,782.0**	2,505.0
Net Asset Value per share (p)	3	B	**2,099.1**	2,719.3
Discount	3	(A-B)/B	**15.1%**	7.9%

Herald Investment Trust plc
10–11 Charterhouse Square
London EC1M 6EE
020 7553 6300
www.heralduk.com