RNS Number : 7703X
Herald Investment Trust PLC
20 February 2025

LEI number: 213800U7G1ROCTJYRR70

Herald Investment Trust plc

Annual Financial Report
For the year ended 31 December 2024

Herald Investment Trust plc (the "Company") hereby submits its annual report and financial statements for the year ended 31 December 2024 as required by the Financial Conduct Authority's Disclosure and Transparency Rule 4.1.

The Company's annual report and financial statements for the year ended 31 December 2024 is being published in hard copy format and an electronic copy will shortly be available to download from the Company's web page on the Manager's website at www.heralduk.com. It will also be made available to the public at the Company's registered office, 10-11 Charterhouse Square, London, EC1M 6EE.

The Company's annual report and financial statements has been uploaded to the Financial Conduct Authority's National Storage Mechanism and is available for inspection at:
https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Enquiries:
NSM Funds (UK) Limited
HIT@nsm.group

Results and dividend

The net asset value ('NAV') of the Company as at 31 December 2024 was 2,488.2p per ordinary share (2023 - 2,219.2p). This represented an increase of 12.1% during the year, compared to an increase in the comparative total return indices of 5.0% for the Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index and an increase of 25.9% for the Russell 2000® Technology Index (small cap) (in sterling terms). The discount at year end was 2.3% (2023 - 13.4%).

The directors do not recommend a dividend for the year ended 31 December 2024 (2023 - nil) as the revenue reserve is in deficit.

STATISTICS AND PERFORMANCE - YEAR'S SUMMARY

31 December	**2024**	2023	% change
Total net assets	**£1,252.6m**	£1,245.8m	
Shareholders' funds	**£1,252.6m**	£1,245.8m	
Net asset value per ordinary share[A]	**2,488.2p**	2,219.2p	+12.1
Share price[A]	**2,430.0p**	1,922.0p	+26.4
Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index (capital only)	**5,498.8**	5,404.7	+1.7
Russell 2000® Technology Index (small cap) (in sterling terms) (capital only)[B]	**5,786.6**	4,605.3	+25.7
Dividend per ordinary share	**-**	-	
Profit per ordinary share (revenue)	**4.96p**	6.79p	
Ongoing charges[A]	**1.08%**	1.07%	
Discount to NAV[A]	**2.3%**	13.4%	

Total return for the year ended 31 December	**2024**	2023

Net asset value[A]	**+12.1%**	+5.7%
Share price[A]	**+26.4%**	+7.9%
Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index	**+5.0%**	+3.2%
Russell 2000® Technology Index (small cap) (in sterling terms) [B]	**+25.9%**	+21.0%

At 31 December	**2024**	2023
Profit per ordinary share		
Revenue	**4.96p**	6.79p
Capital	**244.77p**	74.35p
Total	**249.73p**	81.14p

Year to 31 December	**2024**	**2024**	2023	2023
Year's high and low	**High**	**Low**	High	Low
Share price	**2,500.0p**	**1,870.0p**	1,950.0p	1,596.0p
Net asset value per ordinary share[A]	**2,550.8p**	**2,161.0p**	2,283.5p	1,911.4p
Discount/(Premium)[A]	**13.8%**	**(0.3%)**	17.3%	11.4%

A Alternative Performance Measure
B Investments and indices valued at USD/GBP exchange rate of 1.252 at 31 December 2024 (1.275 at 31 December 2023).
® Russell Investment Group.

CAPITAL RETURN SINCE INCEPTION

	31 December 2024	**Inception 16 February 1994**	**% change**
Net asset value per ordinary share (including current year income[A]	2,488.24p	98.70p	2,421.01
Net asset value per ordinary share (excluding current year income)[A]	2,482.94p	98.70p	2,415.64
Share price	2,430.00p	90.90p	2,573.27
Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index	5,498.80	1,750.00	214.22
Russell 2000® Technology Index (small cap) (in sterling terms)†	5,786.55	688.70*	740.21

A Alternative Performance Measure (APM).
* 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.

CHAIRMAN'S STATEMENT

2024, the Company's thirtieth year, proved to be an eventful one for it, finishing with the prospect of a vote for the Company's survival in its current form.

PERFORMANCE

The Company's investment performance in 2024 was strong, with the Net Asset Value ("NAV") per share rising by 12.1% in the year. The Manager's Report goes into more detail, but in summary the North American portfolio, with a return of 36.3%, outperformed the Russell 2000® Technology Index (25.9%). Two stocks in particular, Super Micro Computer and Celestica, generated much of the performance. The UK portfolio, with a return in the year of 3.3%, modestly underperformed the Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index of 5.0% (reflecting the UK portfolio's heavy exposure to AIM companies). Partly as a result, the Company's North American portfolio by year-end was for the first time in the Company's history of a similar size to its UK one, each accounting for approximately 35% of the Company. A further 6.6% comprised cash and government bonds, and the remaining 23.4% or so represented the investments in EMEA and in Asia, in roughly equal proportions.

The strong performance in North America was driven mainly by the holdings with exposure to the boom in AI related investment. The UK, however, was held back by the very weak performance of the AIM market, stocks on which account for the majority of the UK portfolio. The weakness in AIM was driven in part by the anticipation, following the change of government at the General Election, that Inheritance Tax ("IHT") relief for AIM stocks would be withdrawn. In the event IHT relief was halved in the Chancellor's UK Budget in October. More generally there has continued to be a much discussed flight of capital from the smaller end of the UK Stock Market, which is troubling for the Government's growth agenda. This is in spite of the fact, as mentioned in the Manager's Report, that trading results have typically been good.

A continuing feature of 2024 was the relative outperformance of larger quoted technology stocks compared to the smaller ones on which the Company has always focused. For most of the Company's history, small has outperformed large, but in recent years the opposite has been true. The board and Manager continue to believe that this will not last indefinitely and there is very much a place for a top performing fund focused exclusively on the smaller companies in the technology and communications space. In part, because there is a lack of research available to market participants, it is possible for an active manager who makes their own assessment of opportunities to achieve superior and differentiated performance.

The Company's share price in the year was extremely strong, rising 26.4%. This reflected the share purchases by Saba Capital Management, L.P. ("Saba") discussed below, which squeezed up the share price until Saba reached 29.1%, close to the maximum holding allowed without making an offer for the Company, after which not surprisingly the share price fell back somewhat. Any shareholder who invested at the Company's inception in 1994 would have made 27x NAV total return[1] by 31 December 2024. Even over the 15 years following the end of the Global Financial

Crisis in 2009, the return has been close to 6x share price total return.

LIQUIDITY AND CAPITAL ALLOCATION

2024 saw a continuation of the trend for takeovers of the Company's holdings in North America, the UK and Europe, with precious few IPOs or share placings to replace the companies leaving the markets. As a result, the Company has repeatedly found itself with involuntary cash inflows. The Manager as always had a choice, guided by the board, over how to deploy that liquidity.

Some years it may be that valuations in the market are compelling and the surplus liquidity will best be recycled into investments that bring the opportunity of high returns over the medium term. Alternatively, the Company can buy back its own shares in the market. In practice a combination of the two, in varying proportions, is likely. In 2024 the main use of liquidity was to buy back shares amounting to 10.3% of the Company's opening share capital. This was the second year running where a significant percentage of the Company's shares was bought back, always at a discount which enhances remaining shareholders' NAV. The Company has bought back shares every year since 2007. As well as enhancing the shares' liquidity, buying back shares has the added benefit that the Company does not outgrow its mandate. Since the Company was launched in 1994, it has bought back shares totalling some £471m, which compares extremely favourably with the Company's total capital raised of £95m.

CORPORATE ACTIVITY

The defining development in the year was the continuation of Saba's purchases of the Company's shares, and the ensuing chain of events which straddled the year end. Saba started buying materially in 2023, slowed in the first half of 2024 only to accelerate in the second half when Saba clearly made a decision to try to seek management control of the Company. This culminated on 18 December 2024 with Saba issuing a requisition for a General Meeting of the Company at which it proposed to remove all the current independent directors and replace them with its own appointees, with a view to also terminating the management contract of Herald Investment Management Limited and replacing in due course with Saba. The General Meeting was held on 22 January 2025 at which shareholders voted overwhelmingly to reject the proposals, with 99.85% of the shares which voted (other than shares believed to have been voted by Saba) voting against.

As the board highlighted in its statement after the vote, the outcome was clear, complete and incontrovertible. Regrettably the whole process has cost the Company a material amount of money in hiring advisers and arranging the meeting, and we are unable to charge Saba for this uninvited distraction. In addition, it has been very unsettling for the Company's Manager, which, as pointed out in the Manager's Report, needs a stable and supportive shareholder base to make the sort of far-sighted investment decisions which have in the past led to its stellar long-term performance.

The board and the Manager were delighted by, and extremely grateful for, the overwhelming support of shareholders. The turnout at the vote was remarkable by historic standards, showing the strength of feeling among shareholders, including those who hold their shares through "platforms" who have historically tended not to vote. Commentators have wondered whether this may mark a turning point for retail shareholder turnout, but at the least the debate has started as to how to make it easier for retail shareholders to know when there is a vote, and then how to participate in the vote. The board recognises that although nominally voting for the board, the almost unanimous support in Herald's case was for its strategy and the way it has been executed. The board and the Manager are also grateful to the many shareholders who attended the General Meeting in person, some of whom asked questions, and we hope that this level of turnout will continue for future meetings - the next being the Annual General Meeting (see below).

It should not be overlooked that what Saba has been trying to do is to take control of companies from a position of owning less than 30% of the shares, hoping that it can achieve a simple majority at a general meeting to sack an independent board and take control, relying as much on low turnout among shareholders as on any support for its objectives.

Saba continues to hold a material percentage of your Company's shares and there is uncertainty as to what it proposes to do, now that it has found that it has to all intents and purposes no support whatsoever from other shareholders.

OUTLOOK

The board continues to believe that an active manager with the right skills and experience can achieve excellent returns in this sector. To keep pace with the evolution of what constitutes the smaller quoted companies market globally, the board has agreed with the Manager that investments in new positions can be made in companies capitalised at up to 5bn, compared with up to 3bn before. Worldwide there are over 5,000 companies with a market cap below 5bn in the sectors addressed by the Company. Many of the holdings owned by the Company are in smaller and relatively illiquid companies and the board believes that a closed end investment company, known in the UK as an investment trust, is an excellent way to invest for the long term in such a portfolio. The Manager can afford to take the liquidity risk in the portfolio whereas if it were an open-ended fund that would not be the case.

Since the year end, there has been something of a convulsion in the market values of the larger technology companies, triggered by the announcement of the low-cost Chinese AI large language model, DeepSeek. Some of this has been felt at the smaller company end of the sector as well. The coming year will no doubt throw up its usual mix of opportunities and challenges, not least with the second term of Donald Trump as US President leading to increased volatility and uncertainty.

THE BOARD

It is with sadness that the board will soon lose the input of James Will, who is stepping down after the AGM as he will have served for ten years. His contribution cannot be overstated, not least during the recent corporate activity. His role as Senior Independent Director will be taken over by Henrietta Marsh, who has been on the board since 2019. The board wishes James the very best for the future.

AGM AND CONTINUATION VOTE

The Annual General Meeting ("AGM") to be held on 24 March 2025, to which all shareholders are invited, provides shareholders with an opportunity to hear the Manager speak first hand and to ask questions of the board and the Manager.

The Company has also published a circular to shareholders (the "AGM Circular"), which contains the notice of AGM and further details of the AGM.

At this meeting, there will be the Company's next triennial continuation vote. The board urges shareholders to again vote to ensure your Company can continue.

Your Company is the only investment trust specialising in the global small and mid-capital sections of the technology and communication sectors and its offering is both successful and unique in the UK listed investment company sector. Its distinctive investment focus has delivered a 27x NAV total return[1] to shareholders since its inception in February 1994 and enables shareholders to invest in a diverse portfolio of companies, with high stock specific risk and low liquidity, which would otherwise be difficult to access.

The board believes that the Company's mandate will continue to provide attractive long-term investment opportunities. The directors believe that the prospects for investment in the technology and communications sectors remain positive and that we have a proven Manager in the form of Herald Investment Management Limited. Your board strongly recommends that shareholders vote in favour of the resolution to continue as an investment trust, and the other resolutions to be proposed at the AGM, as the directors intend to do in relation to their own shareholdings.

Please see the section of the AGM Circular titled "Action to be taken" for further information on the action shareholders are recommended to take in respect of the AGM and details of how you can instruct a proxy to vote on your behalf at the AGM.

ANDREW JOY
CHAIRMAN
19 February 2025

INVESTMENT MANAGER'S REPORT

The Chairman has described how 2024 proved to be a challenging year reflecting instability in the Company's share register. Fortunately, this was not the result of poor investment performance. The net asset value per share has appreciated by 12.1%. The highlight has been the remarkable performance of two North American companies which have seen strong growth in their data centre computers enabling artificial intelligence. In addition, nine takeovers announced in 2023 have completed yielding £21.1m in cash. A further eight have been announced and completed delivering an additional £48.8m in cash and more recently another nine have been announced with a potential value of a further £50.0m. This level of takeovers is consistent with previous years. However, new issues have been few and far between in all geographies, reflecting continued withdrawal of assets from active managers in favour of fixed interest investments and index trackers. There is a large pipeline of companies funded by venture capital and private equity which would like to float if public markets were receptive and valuations appropriate. With a handful of exceptions trading performance across the portfolio has generally been good.

Regional Analysis

	Valuation at 31 December 2024 £m	Return* %	% of Net Assets
UK	444.8	3.3%	35.5%
North America	427.3	36.3%	34.1%
EMEA	146.3	5.8%	11.7%
Asia	150.2	3.3%	12.0%
Total equities	**1,168.6**		**93.3%**
Cash and liquid assets	84.0		6.7%
Total net assets	**1,252.6**	**12.1%**	**100.0%**

*IRR for year to 31 December 2024.

Over the last five years, £333m has been spent buying back shares in the Company. 2024 marks the tenth successive year when cash has been withdrawn from the UK portfolio, reflecting high levels of takeovers and our cautious outlook for UK smaller quoted companies despite the attractive valuations. In North America, cash has also been withdrawn reflecting significant profits in Super Micro Computer, partially offset by further investments.

Net Acquisitions and Disposals £m	2020	2021	2022	2023	2024	Total by Region	Takeover Proceeds
UK	-24.9	-57.7	-43.3	-12.5	-67.6	-206.0	116.0
North America	-29.5	-13.0	-30.7	-27.6	-28.0	-128.8	137.0
EMEA	19.1	10.7	-3.7	4.2	-11.2	19.1	54.0
Asia	23.0	27.4	-4.5	-19.1	3.4	30.2	35.0
Total	**-12.3**	**-32.6**	**-82.2**	**-55.0**	**-103.4**	**-285.5**	**342.0**

The table below shows the weighted average forecast p/e of the Company's portfolio by region. It highlights a lower forecast p/e in the UK, similar to the level a decade ago. All other regions have to varying degrees rerated upwards. Valuations are more comfortable in the UK reflecting an illiquidity discount.

Regional Price to Earnings

Year-end P/E	UK	North America	EMEA	Asia
2013	16.9	20.9	14.9	9.6
2014	15.8	19.2	13.4	12.3
2015	16.4	20.1	16.3	13.2
2016	15.9	20.7	17.5	13.1
2017	19.6	27.8	21.4	14.8
2018	15.9	24.0	17.7	16.3
2019	21.7	27.9	25.0	20.7
2020	26.2	45.0	34.9	25.0
2021	23.8	29.4	33.3	23.0
2022	16.7	17.9	24.1	16.9
2023	16.0	22.3	30.4	21.5
2024	16.6	23.3	29.2	20.5

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.

The performance by market capitalisation at the year end and by region is shown in the table below and shows a mixed picture.

Return by region and market capitalisation (%)*	Market cap < 100m	Market cap 100-250m	Market cap 250m-500m	Market cap 500m-1bn	Market cap 1bn-3bn	Market cap > 3bn
UK	-19.4%	23.8%	-13.8%	2.0%	31.3%	20.8%

North America	14.4%	-16.1%	27.6%	30.0%	-4.5%	74.3%
EMEA	-21.9%	-9.6%	23.1%	46.5%	13.9%	-6.7%
Asia	-14.6%	-2.1%	-13.3%	10.2%	-6.2%	20.4%
All equities	**-17.6%**	**6.2%**	**-1.6%**	**13.4%**	**11.6%**	**49.4%**

* IRR for year to 31 December 2024.

Value of equity investments in market capitalisation range (£m)	Market cap < 100m	Market cap 100-250m	Market cap 250m-500m	Market cap 500m-1bn	Market cap 1bn-3bn	Market cap > 3bn	Total by region
UK	97.8	75.2	74.6	87.8	85.6	23.8	444.8
North America	10.4	26.8	51.6	57.3	62.8	218.4	427.3
EMEA	15.4	21.5	21.7	16.4	45.0	26.3	146.3
Asia	14.0	18.3	18.2	26.9	28.7	44.1	150.2
Total equities	**137.6**	**141.8**	**166.1**	**188.4**	**222.1**	**312.6**	**1,168.6**

North America

The North American return of 36.3% compares well with the return of the small-cap Russell 2000® Technology Index (total return) of 25.9% in sterling. The dramatic performance of Super Micro Computer continued in the first quarter. Celestica and Fabrinet also performed strongly, driven by the artificial intelligence supply chain boom. It should be noted that the index had only returned 6.0% in the nine months to the end of September, so the majority of the return occurred in the fourth quarter when there was a "Trump boom" in the smaller companies market, and the returns on the Company's North American portfolio similarly broadened out. Nevertheless, the weighted average return of small-cap stocks in Bloomberg's Technology and Communication sectors is still negative for the year, and a far cry from that of the Magnificent Seven stocks.

Thanks to the strong performance in this region, the North American portfolio has now reached 34.1% of the Company's net assets and after further withdrawal of cash from the UK portfolio is a similar proportion to the UK.

REGIONAL ALLOCATION CHANGES
(STERLING, THOUSANDS)

	Valuation at 31 December 2023	Net acquisitions/ (disposals)	Amortisation	Appreciation/ (depreciation)	Valuation at 31 December 2024
Equities*					
UK	503,934	(67,570)	-	8,482	**444,846**
North America	341,571	(27,978)	-	113,660	**427,253**
EMEA	150,349	(11,179)	-	7,090	**146,260**
Asia Pacific	144,020	3,395	-	2,836	**150,251**
Total equities	1,139,874	(103,332)	-	132,068	**1,168,610**
Government bonds	60,765	(534)	1,424	(238)	**61,417**
Total investments	1,200,639	(103,866)	1,424	131,830	**1,230,027**
Net liquid assets	45,118	(22,349)	-	(194)	**22,575**
Total net assets+	1,245,757	(126,215)	1,424	131,636	**1,252,602**

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

UK

The UK performance overall was a lacklustre return of 3.3%. There was a marked divergence in returns between fully listed holdings of 20.6% and the return of AIM stocks of -4.5%. The Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index returned 5.0%. However, in both cases there are outliers that have impacted the Company significantly. At the year end, the value of fully listed stocks was £139.6m (22 holdings). Trustpilot (+£16.1m) is the largest holding, and accounted for most of the return, followed by long held Diploma and Bloomsbury Publishing.

The AIM portfolio is £288.5m (84 holdings), representing the lowest proportion of the Company's assets since 2005. Regrettably, there are too few co-investors to adequately fund companies, and an inadequate secondary market, so the exposure has been gradually reduced through takeovers. Through history, profits of c£349m have been achieved in AIM stocks, and we regret AIM's decline, because capital could be usefully deployed. The performance of the Company's AIM portfolio for the year was marred by big declines in YouGov (-£14.7m), Next Fifteen (-£10.5m) and Bango (-£8.1m). All had trading issues, have contributed positively in the past and in aggregate, and have returned £50.8m even after including this year's price falls. Fortunately, aggregate profits of £32.1m have already been realised, reducing the adverse impact. This has been mitigated by strong returns from Cohort (+£7.9m), Corero Network Security (+£4.9m) and IQGeo (+£4.6m). The latter was one of nine UK takeovers to complete this year. Acquisition terms have also been agreed for Eckoh, Intelligent Ultrasound and Windward but are yet to complete.

It is interesting to observe that the FTSE-AIM Index, the FSTE-Small Companies Index, and the Deutsche Numis Smaller Companies plus AIM (ex. investment companies) Index all had similar returns until May. Thereafter, AIM steadily underperformed. The one-day respite was the day of the Budget, when AIM IHT relief was not abolished, but merely halved.

It is particularly fulfilling to see Corero perform well, having patiently provided primary capital over a number of years, but there are also a number of smaller holdings that have contributed positively - Filtronic, Intercede, Celebrus Technologies and System1 to name a few.

Like a record stuck in a groove, I repeat my annual message: "There are promising small UK companies, but too few co-investors."

Europe, Middle East and Africa

The EMEA (Europe, Middle East and Africa) region currently only comprises stocks in continental Europe, and accounts for 11.7% of the Company's assets. As in the UK, the European quoted smaller company markets are challenged by a shortage of capital. The positive return of 5.8% achieved in 2024 is thanks to an extraordinarily high challenged by a shortage of capital. The positive return of 5.8% achieved in 2024 is thanks to an extraordinarily high number of takeovers. EQS, Efecte, Invision and Volue have all been acquired this year yielding £21.6m in cash. In addition, Esker and Nexus have received takeover bids which may yield a further £29m. As in the UK, acquirers are generally private equity, and disappointingly boards and management teams have generally rolled indicating good long-term prospects. At this stage private equity still has deeper pockets, and higher valuations than public markets, certainly in the UK and Europe. This may prove temporary as private equity returns have been flattered by leverage when interest rates were low. Now that interest rates have normalised profitable exits are more difficult to achieve, and the returns are more subdued. I remain an evangelist for public markets providing permanent capital, and they should in normal times provide liquidity too. Currency has been a material headwind this year to the £ Sterling reported return, with the Euro depreciating by 4.5% and the Swedish Krona by 7.3% against it.

Asia

Asia now accounts for 12.0% of the Company's assets and returned 3.3% in 2024. Taiwanese investments account for a third of the Asian portfolio and delivered another satisfactory return of 13.7%. Australia, with half of the weighting of Taiwan, did even better, returning 44.8%, with Catapult the standout performer. It collects and analyses data on athletes' performance. Unfortunately, these strong gains were largely offset by negative returns in Japan (-5.2%) and South Korea (-36.6%). There have also been major currency headwinds with the Japanese Yen declining 8.7% versus Sterling and the Korean Won declining 11.2%, but no major stock specific challenges.

Sector Analysis

	Valuation at 31-Dec-24 £m	Appreciation/ depreciation £m	31-Dec-24 % of equity investments	2024 % return*
Software & Technology Services	493.1	69.3	42.2%	15.2%
Technology Hardware & Semiconductors	330.2	63.5	28.3%	22.3%
Media	122.4	-8.9	10.5%	-6.3%
Industrial Products	90.2	20.5	7.7%	29.0%
Industrial Services	33.3	4.4	2.8%	15.6%
Telecommunications	32.5	0.6	2.8%	1.7%
Other	66.9	-5.0	5.7%	-7.0%
Total	**1,168.6**	**144.4**	**100.0%**	

*IRR for year to 31 December 2024.

By value 70.5% of the Company's investments are classified in the Technology sector (Bloomberg), most of the remainder being in Communications and Industrials. These Technology investments are divided into two subsectors: Software and Technology Services, and Technology Hardware and Semiconductors.

Software and Technology Services

The Software sector was fashionable in the Covid era, and Software-as-a-Service companies reached exotic valuations in 2020-21. 2022-23 saw a sharp correction, and the return of 15.2% in 2024 represents some recovery. In contrast the Technology Services sector has had a challenging year, with financial services and governments alike conspicuously slowing the pace of investment. It seems their focus is on saving money. Enterprise IT budgets have been moved towards experimentation around AI initiatives.

Software and Technology Services	31-Dec-23 £m	31-Dec-24 £m	2024 % return*
UK	191.4	168.3	10.5%
North America	139.8	188.3	20.0%
EMEA	68.3	85.3	25.4%
Asia	57.5	51.2	3.4%
Total	**457.0**	**493.1**	**15.2%**

*IRR to 31 December 2024.

US listed Pegasystems delivered the highest sterling return, and the market value is now 14.7x the book cost. It had a choppy period in 2022 when it was sued by Appian, and the court found Pegasystems guilty with a 2bn fine. We know management well having held the shares since 2003 and have immense respect for the founder and CEO Alan Trefler, so we maintained the holding. We have been rewarded with an appeal which reversed the initial judgment, and the company has continued to make progress, significantly improving profitability. It is an early user of AI for corporate workflows and customer engagement.

The second highest sterling return was from French listed Esker, which has also been long held (since 2012 and increased more recently) and its market value is 4.9x book cost. It supplies software for purchase and invoice management and is subject to a bid by private equity. The bid price is a little disappointing, and disappointingly for us, management will roll with the new owners. We prefer takeovers when management sell as well, but it is another example of a company that thinks private equity will be a better owner than public markets.

Third on the list, Swedish listed RaySearch Laboratories is a more recent position with the first investment in 2020, and additional purchases each year since. It provides radiotherapy treatment planning software - RayStation - for cancer treatment clinics. RaySearch has recently also launched two new software products, an oncology information system - RayCare - and an AI assisted oncology analytics platform - RayIntelligence. Both have been developed organically with key cancer centre clients across the world and revenues are just starting for these new products while the costs are already in the profit and loss and were covered by the revenues and profits generated from RayStation.

Fourth on the list is Canadian listed Descartes, which was first acquired in 2007. The market value is an astonishing 46.8x book cost. Descartes exemplifies the investment process, where we are prepared to take small high-risk positions in a range of early-stage companies. When the successes rise 46.8x, they compensate for a minority of holdings which disappoint. Descartes provide inter-enterprise software for global supply chain management and they have been acquisitive using internally generated cash to buy at sensible prices.

Corero, IQGeo and AvePoint all delivered returns between £4-5m. The worst return was Bango which declined by £8.1m, having set market expectations too high in a fragile AIM market. Oxford Metrics followed with a £3.8m decline, as an order drought followed overordering when there were Covid related supply chain issues.

Technology Hardware and Semiconductors

Technology Hardware and Semiconductors

This is the sector that has benefited most from the artificial intelligence supply chain boom, and the sector returns were dominated by two stocks, Super Micro Computer and Celestica, which together returned £65.5m out of a total sector return of £63.5m.

Technology Hardware and Semiconductors	31-Dec-23 £m	31-Dec-24 £m	2024 % return*
UK	58.5	40.0	-12.3%
North America	164.7	178.5	64.7%
EMEA	60.6	50.1	-14.3%
Asia	53.0	61.6	4.6%
Total	**336.8**	**330.2**	**22.3%**

*IRR to 31 December 2024.

Super Micro Computer was the most profitable holding last year, and momentum continued in the first quarter. More recently it has been challenged by the resignation of the company's auditor, and thus a late filing, albeit the numbers do not appear to need changing. The speed of growth was unprecedented and I am sure the corporate functions were stretched. Fortunately, we had sold the majority of the holding, but we remain holders of a residual position.

If Super Micro Computer has worked hand in glove with Nvidia, Celestica has been a big supplier to Google Cloud. Fabrinet was the next best contributor with a return of, relatively speaking, a modest £4.3m reflecting strong demand from Nvidia. Bizlink in Taiwan which sells high performance cables also did well.

The disappointing stocks were Nordic Semiconductor (-£3.8m) and IQE (-£3.1m). The latter has been long held. Fortunately, £19.6m of profits have already been realised, but there have been management issues and a tough mobile phone market.

Communications

This sector comprises two subsectors - Media and Telecommunications.

Communications	31-Dec-23 £m	31-Dec-24 £m	2024 % return*
UK	132.6	111.3	-6.0%
North America	22.3	24.7	10.2%
EMEA	13.6	5.1	-0.1%
Asia	17.0	13.8	-17.3%
Total	**185.5**	**154.9**	**-4.8%**

*IRR to 31 December 2024.

This sector is dominated by UK holdings. Trustpilot has performed very well and returned £16.1m and is the only material new UK holding in recent years, with the first purchases in March 2022. Unfortunately, this was more than offset by declines in YouGov and Next 15. Both companies had operational issues, both companies were heavily owned by investors looking for inheritance tax relief, and had made exceptional returns in the past. Previously realised profits of £12.4m in YouGov, and £18.1m in Next Fifteen contained the declines. Other returns were relatively immaterial.

Industrials

Industrials	31-Dec-23 £m	31-Dec-24 £m	2024 % return*
UK	72.6	81.9	19.8%
North America	11.4	26.4	24.9%
EMEA	3.2	2.5	-0.5%
Asia	5.3	12.7	108.7%
Total	**92.5**	**123.5**	**25.2%**

*IRR to 31 December 2024.

The exposure to this sector is again dominated by UK holdings. Cohort has appreciated 100% this year, with stronger trading and a record order intake, while Leonardo DRS is a US listed defence company which has done well too. Catapult in Australia and Diploma in the UK have been the other useful contributors.

Other

Other	31-Dec-23 £m	31-Dec-24 £m	2024 % return*
UK	48.8	43.3	-5.7%
North America	3.4	9.4	28.2%
EMEA	4.7	3.3	-26.4%
Asia	11.2	10.9	-20.8%
Total	**68.1**	**66.9**	**-7.0%**

*IRR to 31 December 2024.

The holdings encompassed in the "Other" category include holdings in healthcare, renewable energy and financial services which have a technology aspect. There were no standout performances, either positively or negatively. Best was a US listed company Climb Global Solutions, which was offset by Invinity Energy, which raised money through a placing before a set of disappointing results.

Sector Summary

I have endeavoured to demonstrate with this detail that the target sector in which we invest has not produced a homogenous performance. In fact in 2024, 29 holdings were down more than 50%, while 18 holdings appreciated more than 100%. It is also what makes active fund management fulfilling, particularly when we have provided primary capital to so many companies. Index trackers cannot provide primary capital. Without primary capital, there will not be growth companies.

Outlook

There are a number of factors that should drive continued growth in the wider technology sector. Artificial intelligence has been the talk of 2024. So far it has evidently benefited companies directly in the supply chain, led by staggeringly high levels of capital expenditure by the hyperscalers (Microsoft Azure, AWS, etc), but it is inevitable that new applications will emerge from innovative small companies. Meanwhile the drive to net zero poses some unresolved technical challenges, in particular the storage and distribution of renewable power, plus a long tail of further requirements. Meanwhile, military conflicts and a geopolitically volatile world are leading to evident innovation in defence and cyber security.

I am also optimistic that the flow of attractive new issues will improve as the markets for companies continue to adjust to the new norm for interest rates. The challenge for the Company is to unite shareholders around its mandate in order that we can continue to make long-term investments in smaller quoted technology companies.

I should like to thank shareholders for voting at the recent requisitioned general meeting and so decisively demonstrating support. I should like to thank my team for their hard work during the year and the extra effort the Saba issue has caused. I would, of course, also like to thank the board who have borne the brunt and especially the Chairman whose efforts have been immense.

SECTOR PERFORMANCE

(Sterling Millions)

	Market value equity portfolio 31 Dec 2024	% of equity portfolio 31 Dec 2024	Total return equity portfolio 31 Dec 2024	Total return equity portfolio 31 Dec 2023
Software	426.2	36.5	71.6	-6.8
Technology Hardware	202.9	17.4	73.5	56.5
Semiconductors	127.3	10.9	-10.0	13.0
Technology Services	66.9	5.7	-2.3	-6.7
Internet Media & Services	58.5	5.0	13.6	8.8
Electrical Equipment	41.5	3.5	4.5	4.6
Advertising & Marketing	37.6	3.2	-22.5	-6.7
Telecommunications	32.5	2.8	0.6	3.7
Commercial Support Services	32.1	2.8	3.7	1.7
Industrial Intermediate Production	24.9	2.1	4.8	7.0+
Other	118.2	10.1	6.9	-14.0+
Total	**1,168.6**	**100.0**	**144.4**	**61.1**

Source: BICS (Bloomberg Industry Classification Standard).

+ 2023 Comparative figures restated.

KATIE POTTS
19 February 2025

CLASSIFICATION OF INVESTMENTS

CLASSIFICATION*	UK %	EMEA %	North America %	Japan & Asia Pacific %	2024 Total %	2023 Total %
COMMUNICATIONS	**9.0**	**0.4**	**1.9**	**1.1**	**12.4**	**14.9**
Advertising & Marketing	2.8	0.1	0.2	-	3.1	5.4
Entertainment Content	0.5	-	-	-	0.5	0.8
Internet, Media & Services	3.1	0.1	0.6	0.9	4.7	4.3
Publishing & Broadcasting	1.5	-	0.1	-	1.6	1.9
Telecommunications	1.1	0.2	1.0	0.2	2.5	2.5
CONSUMER DISCRETIONARY	**-**	**-**	**0.3**	**0.1**	**0.4**	**0.6**
Automotive	-	-	-	-	-	-
E-Commerce Discretionary	-	-	-	0.1	0.1	0.2
Leisure Facilities & Services	-	-	-	-	-	0.1
Retail - Discretionary	-	-	-	-	-	0.1
Wholesale - Discretionary	-	-	0.3	-	0.3	0.2
ENERGY	**0.4**	**-**	**0.4**	**-**	**0.8**	**0.7**
Oil & Gas Services & Equipment	-	-	0.2	-	0.2	0.2
Renewable Energy	0.4	-	0.2	-	0.6	0.5
FINANCIALS	**0.7**	**-**	**-**	**0.5**	**1.2**	**1.5**
Asset Management	0.5	-	-	-	0.5	0.6
Equity Investment Instruments	-	-	-	-	-	0.2
Speciality Finance	0.2	-	-	0.5	0.7	0.7
HEALTH CARE	**0.8**	**0.3**	**-**	**0.1**	**1.2**	**1.2**
Biotechnology & Pharmaceutical	0.1	-	-	-	0.1	-
Health Care Facilities & Services	0.2	-	-	-	0.2	0.2
Medical Equipment & Devices	0.5	0.3	-	0.1	0.9	1.0
INDUSTRIALS	**6.6**	**0.2**	**2.2**	**1.1**	**10.1**	**6.8**
Aerospace & Defence	1.2	-	0.7	0.1	2.0	0.4
Commercial Support Services	1.6	-	1.0	-	2.6	1.9
Electrical Equipment	1.9	0.2	0.4	0.9	3.4	2.7

Electrical Equipment	[illegible]	0.2	0.4	[illegible]	[illegible]	2.7
Industrial Intermediate Production	1.9	-	-	0.1	2.0	1.8
Transportation & Logistics	-	-	0.1	-	0.1	-
MATERIALS	**0.1**	**-**	**-**	**0.2**	**0.3**	**0.3**
Chemicals	-	-	-	0.2	0.2	0.2
Forestry, Paper & Wood Products	0.1	-	-	-	0.1	0.1
TECHNOLOGY	**16.6**	**10.8**	**29.3**	**8.9**	**65.6**	**64.2**
IT Services	2.6	1.2	0.7	0.9	5.4	7.8
Semiconductors	0.6	3.0	4.2	2.3	10.1	10.4
Software	10.9	5.6	14.3	3.2	34.0	29.4
Technology Hardware	2.5	1.0	10.1	2.5	16.1	16.6
UTILITIES	**1.3**	**-**	**-**	**-**	**1.3**	**1.3**
Electricity & Gas Marketing & Trading	1.1	-	-	-	1.1	1.1
Gas & Water Utilities	0.2	-	-	-	0.2	0.2
TOTAL EQUITIES (including convertibles and warrants)	**35.5**	**11.7**	**34.1**	**12.0**	**93.3**	**-**
Total equities - 2023 (including convertibles and warrants)	40.5	12.1	27.4	11.5	-	91.5
BONDS	**-**	**1.2**	**2.5**	**1.2**	**4.9**	**4.9**
NET LIQUID ASSETS**	**1.0**	**0.3**	**0.2**	**0.3**	**1.8**	**3.6**
TOTAL NET ASSETS	**36.5**	**13.2**	**36.8**	**13.5**	**100.0**	**-**
Total net assets - 2023	41.8	12.3	33.2	12.7	-	100.0
SHAREHOLDERS' FUNDS	**36.5**	**13.2**	**36.8**	**13.5**	**100.0**	**-**
Shareholders' Funds - 2023	41.8	12.3	33.2	12.7	-	100.0
Number of equity investments (including convertibles and warrants)	111	31	82	86	310	322

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

TOP 20 EQUITY HOLDINGS
AS AT 31 DECEMBER 2024

A brief description of the twenty largest equity holdings in companies is as follows:

Celestica™			
As a leader in design, manufacturing, hardware platform and supply chain solutions, Celestica partners with leading companies in aerospace and defence, communications, enterprise, health technology, industrial, and capital equipment, to deliver solutions for their most complex challenges. Celestica brings global expertise and insight at every stage of product development - from the drawing board to full-scale production and after-market services. Celestica has employees across North America, Europe and Asia, that help, develop and deliver new products for their customers.		£31.0M 2.5% 0.4% £3.7M	VALUATION OF TOTAL ASSETS OF ISSUED SHARE CAPITAL HELD BOOK COST

Trustpilot			
Founded in Denmark in 2007, Trustpilot has since grown to become one of the world's leading consumer review platforms. Trustpilot offers a public platform where consumers can leave reviews for businesses and businesses can respond to honest feedback. The platform is open to all businesses and consumers - yet independent of both - every interaction on Trustpilot is transparent for all to see. Trustpilot's business model is to charge recurring software fees to its corporate customers for the use of the platform.		£29.0M 2.3% 2.3% £10.0m	VALUATION OF TOTAL ASSETS OF ISSUED SHARE CAPITAL HELD BOOK COST

Fabrinet			
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.		£26.8M 2.1% 0.4% £1.9M	VALUATION OF TOTAL ASSETS OF ISSUED SHARE CAPITAL HELD BOOK COST

BE Semiconductor Industries			
BE Semiconductor Industries ("Besi") is a leading supplier of semiconductor assembly equipment for the global semiconductor and		£26.3M 2.1%	VALUATION OF TOTAL

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 lead frame, 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.		ASSETS 0.3% OF ISSUED SHARE CAPITAL HELD £0.6M BOOK COST

Diploma PLC		
Diploma is an international value-add distribution group, organised across three sectors: Controls, Seals and Life Sciences. Value-add services are delivered alongside products, which include: wire & cable, connectors, fasteners and adhesives; seals, gaskets, hose and fluid power sealing products; surgical and diagnostic equipment, consumables and instrumentation. An entrepreneurial culture and decentralised management structure ensures that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment. Diploma operates in core geographies of North America, Continental Europe, UK and Australia.		£23.8M VALUATION 1.9% OF TOTAL ASSETS 0.4% OF ISSUED SHARE CAPITAL HELD £0.4M BOOK COST

Pegasystems		
Founded in 1983, Pegasystems ("Pega") provides a platform that empowers the world's leading organisations to unlock business-transforming outcomes with real-time optimisation software. Clients use Pega's enterprise AI decisioning and workflow automation to solve pressing business challenges - from personalising engagement to automating service to streamlining operations. Pega has built a scalable and flexible architecture to help enterprises meet customer demands while continuously transforming for tomorrow.		£22.4M VALUATION 1.8% OF TOTAL ASSETS 0.4% OF ISSUED SHARE CAPITAL HELD £1.5M BOOK COST

Esker		
Esker is a global cloud platform built to unlock strategic value for finance, procurement and customer Service professionals, and strengthen collaboration between companies by automating the cash conversion cycle. Esker's solutions incorporate AI technologies to drive increased productivity, enhanced visibility, reduced fraud risk, and improved collaboration with customers, suppliers and employees. Founded in 1985, Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. In September 2024, Esker and Bridgepoint announced a proposed cash public tender offer for Esker, made by Bridgepoint, in association with General Atlantic and the management shareholders.		£21.6M VALUATION 1.7% OF TOTAL ASSETS 1.6% OF ISSUED SHARE CAPITAL HELD £4.4M BOOK COST

Descartes Systems		
Descartes Systems ("Descartes") offers networks, applications, global trade content, and collaborative multi-modal logistics communities to improve the productivity, performance, safety and security of logistics and supply chain operations. Customers use Descartes modular, cloud-based and data content solutions to route, schedule, track, train and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access and analyse global trade data; research and perform trade tariff and duty calculations; file customs and security documents for imports and exports; comply with trade regulations, and complete numerous other logistics processes. Customers can purchase Descartes solutions either on a subscription, transactional or perpetual license basis. The company serves transportation providers (air, ocean and truck modes), logistics service providers (including third-party logistics providers, freight forwarders, freight brokers, and customs brokers) and manufacturers, retailers, distributors, and business service providers. Descartes headquarters are in Waterloo, Ontario, Canada and they have offices and partners around the world.		£17.2M VALUATION 1.4% OF TOTAL ASSETS 0.2% OF ISSUED SHARE CAPITAL HELD £0.4M BOOK COST

Super Micro Computer		
Super Micro Computer ("Super Micro") is a global leader in application-optimised IT solutions. Founded and operating in San Jose, California, Super Micro delivers innovative enterprise, cloud, AI, and 5G telco/edge IT infrastructure hardware, it is a total IT Solutions provider with server, AI, storage, IoT, switch systems, software, and support services. Super Micro's motherboard, power, and chassis design expertise further enables development and production, enabling next generation innovation from cloud to edge for global customers. Products are designed and manufactured in-house (in the US, Taiwan, and the Netherlands), leveraging global operations for scale and efficiency and optimised to improve TCO and reduce environmental impact (Green Computing). The award-winning portfolio of solutions enables customers to optimise for their exact workload and application by selecting from a broad family of systems built from flexible and reusable building blocks that support a comprehensive set of form factors, processors, memory, GPUs, storage, networking, power, and cooling solutions (air conditioned, free air cooling or liquid cooling).		£17.0M VALUATION 1.4% OF TOTAL ASSETS 0.1% OF ISSUED SHARE CAPITAL HELD £1.4M BOOK COST

GB Group		
GB Group ("GBG"), was founded in 1989, originally pioneering new ways of delivering address management services. Since then, the offering has grown to cover three core areas of Location, Identity and Fraud, which together create confidence online. The location business ensures addresses and locations can be easily captured, verified and managed. GBG's digital identity verification tools ensure that companies are trading with good customers and can identify the bad actors. Fraud prevention solutions reduce financial risk and ensure compliance with regulations. GBG's future goal is to facilitate online environments where everyone can transact with the complete and unconditional confidence they expect.		£16.3M VALUATION 1.3% OF TOTAL ASSETS 1.9% OF ISSUED SHARE CAPITAL HELD £5.2M BOOK COST

Volex		

Volex		
Volex is a leader in integrated manufacturing for mission-critical applications, in particular for power and data connectivity solutions. Volex supports International blue-chip customers in five key sectors: Electric Vehicles, Consumer Electricals, Medical, Complex Industrial Technology and Off-Highway. Headquartered in the UK, Volex has operations across 28 advanced manufacturing facilities, uniting 14,000 employees from 25 different nations. Products find their way to market through localised sales teams and authorised distributor partners, supporting Original Equipment Manufacturers and Electronic Manufacturing Services companies across the globe. In a world that grows more digitally complex by the day, customers choose Volex to deliver power and connectivity that drives everything from household essentials to life-saving medical equipment.		£15.8M VALUATION 1.3% OF TOTAL ASSETS 3.1% OF ISSUED SHARE CAPITAL HELD £7.3M BOOK COST

Silicon Motion Technology		
Silicon Motion Technology ("SMT") is the global leader in supplying NAND flash memory controllers for solid state storage devices. They supply more SSD controllers than any other company in the world for servers, PCs and other client devices and are the leading merchant supplier of eMMC and UFS embedded storage controllers used in smartphones, IoT devices and other applications. SMT also supplies customised high-performance hyperscale data centre and specialised industrial and automotive SSD solutions. Customers include most of the NAND flash vendors, storage device module makers and leading OEMs.		£15.4M VALUATION 1.2% OF TOTAL ASSETS 1.1% OF ISSUED SHARE CAPITAL HELD £1.7M BOOK COST

Cohort Plc		
Cohort is the parent company of six innovative, agile and responsive businesses providing a wide range of services and products for British and international customers in defence, security and related markets. Cohort was founded on the principle that SME-size businesses can prosper by being part of a larger group, where they can benefit from financial oversight, management support and the exchange of information and practices. Cohort aims to achieve this while preserving the high growth potential of innovative independent businesses.		£14.9M VALUATION 1.2% OF TOTAL ASSETS 2.9% OF ISSUED SHARE CAPITAL HELD £3.2M BOOK COST

Telecom Plus		
Telecom Plus, which owns and operates Utility Warehouse ("UW"), is the UK's leading multiservice utility provider, offering bundled household services - energy, broadband, mobile and insurance. Customers benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional service levels. Customers sign up through a network of local UW Partners all across the country. These Partners recommend UW's services to friends, family and people they know by word-of-mouth.		£14.1M VALUATION 1.1% OF TOTAL ASSETS 1.0% OF ISSUED SHARE CAPITAL HELD £3.3M BOOK COST

Idox		
Idox is a specialist software and geospatial solutions provider, helping government and industry, drive productivity and offer a better experience for everyone. Built around the user and designed in collaboration with experts who have worked through every detail of every process from end-to-end, the company's hard-working process engines deliver exceptional functionality and embed workflows that drive efficiency and best practice with a long-term focus for regulated environments. Through the automation of tasks, simplification of complex operations, scalability as operations evolve, and more effective management of information, Idox helps their customers achieve more.		£13.9M VALUATION 1.1% OF TOTAL ASSETS 4.8% OF ISSUED SHARE CAPITAL HELD £3.6M BOOK COST

Varonis Systems		
Varonis Systems ("Varonis") is a leader in data security, fighting a different battle than conventional cybersecurity companies. The company's cloud-native Data Security Platform continuously discovers and classifies critical data, removes exposures, and detects advanced threats with AI-powered automation. Thousands of organisations worldwide trust Varonis to defend their data wherever it lives - across SaaS, IaaS, and hybrid cloud environments. Customers use Varonis to automate a wide range of security outcomes, including data security posture management ("DSPM"), data classification, data access governance ("DAG"), data detection and response ("DDR"), data loss prevention ("DLP"), and insider risk management.		£13.7M VALUATION 1.1% OF TOTAL ASSETS 0.3% OF ISSUED SHARE CAPITAL HELD £4.1M BOOK COST

Radware		
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 enterprise and carrier customers worldwide to adapt to market challenges quickly, maintain business continuity and achieve maximum productivity while keeping costs down.		£13.0M VALUATION 1.0% OF TOTAL ASSETS 1.7% OF ISSUED SHARE CAPITAL HELD £5.4M BOOK COST

Wilmington plc		
Wilmington is the recognised knowledge leader and partner of choice for data, information, education and training in the global Governance, Risk and Compliance ("GRC") markets. Wilmington provides critical data and information to enable their customers to make the decisions needed to maintain compliance with the rules and regulations that apply to them;		£11.9M VALUATION 0.9% OF TOTAL ASSETS 3.5% OF ISSUED

maintain compliance with the rules and regulations that apply to them, and provides training and education to equip customers with the knowledge and skills to carry out their activities in line with best practice.		SHARE CAPITAL HELD £4.4M BOOK COST

Craneware		
Craneware is the market leader in healthcare value cycle solutions for 25 years, it collaborates with US healthcare providers to optimise revenue integrity, pricing intelligence, decision support, labour productivity, business of pharmacy, and 340B programme management. Founded in May 1999 by CEO Keith Neilson and co-founder Gordon Craig, Craneware launched its first product in October 1999 after signing its first customer contract the previous month. By the end of 2000, Craneware had more than 20 customers, setting the stage for the continuous growth to come, and in September 2007, Craneware listed on the AIM market of the London Stock Exchange.		£11.3M VALUATION 0.9% OF TOTAL ASSETS 1.5% OF ISSUED SHARE CAPITAL HELD £2.2M BOOK COST

RaySearch Laboratories		
RaySearch Laboratories ("RaySearch") is a medical technology company that develops innovative software solutions for improved cancer treatment. RaySearch markets the RayStation treatment planning system ("TPS") and the oncology information system ("OIS") RayCare. The most recent additions to the RaySearch product line are RayIntelligence and RayCommand. RayIntelligence is an oncology analytics system ("OAS") which enables cancer clinics to collect, structure and analyse data. RayCommand, a treatment control system ("TCS"), is designed to link the treatment machine and the treatment planning and oncology information systems. RaySearch's software has been sold to over 1,000 clinics in 44 countries. The company was founded in 2000 as a spin-off from the Karolinska Institute in Stockholm and the shares have been listed on Nasdaq Stockholm since 2003.		£10.8M VALUATION 0.9% OF TOTAL ASSETS 2.0% OF ISSUED SHARE CAPITAL HELD £3.8M BOOK COST

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 Revenue £'000	**2024 Capital £'000**	**2024 Total £'000**	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Gains on investments	**-**	**131,830**	**131,830**	-	45,419	45,419
Losses on foreign exchange	**-**	**(194)**	**(194)**	-	(1,316)	(1,316)
Income	**17,169**	**-**	**17,169**	17,926	-	17,926
Investment management fee	**(12,894)**	**-**	**(12,894)**	(12,375)	-	(12,375)
Other administrative expenses	**(1,147)**	**(8)**	**(1,155)**	(966)	(8)	(974)
Profit before taxation	**3,128**	**131,628**	**134,756**	4,585	44,095	48,680
Taxation	**(460)**	**-**	**(460)**	(559)	-	(559)
Profit after taxation	**2,668**	**131,628**	**134,296**	4,026	44,095	48,121
Profit per ordinary shares (basic and diluted)	**4.96p**	**244.77p**	**249.73p**	6.79p	74.35p	81.14p

There is no final dividend proposed (2023 - nil). More information on dividend distributions can be found in note 7.

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

The 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 are an integral part of this statement.

STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	2024 £'000	2023 £'000
Fixed assets		
Investments held at fair value through profit or loss	**1,230,027**	1,200,639
Current assets		
Cash and cash equivalents	**21,890**	42,285
Other receivables	**1,850**	4,022
	23,740	46,307
Current liabilities		
Other payables	**(1,165)**	(1,189)
	(1,165)	(1,189)
Net current assets	**22,575**	45,118
TOTAL NET ASSETS	**1,252,602**	1,245,757
Capital and reserves		
Called up share capital	**12,585**	14,034

Share premium	**73,738**	73,738
Capital redemption reserve	**9,367**	7,918
Capital reserve	**1,158,239**	1,154,062
Revenue reserve	**(1,327)**	(3,995)
TOTAL SHAREHOLDERS' FUNDS	**1,252,602**	1,245,757
NET ASSET VALUE PER ORDINARY SHARE (including current year income)	**2,488.24p**	2,219.23p
NET ASSET VALUE PER ORDINARY SHARE (excluding current year income)	**2,482.94p**	2,212.06p

The financial statements of Herald Investment Trust plc (company registration number 02879728) were approved by the board of directors and authorised for issue on 19 February 2025 and signed on its behalf by

ANDREW JOY
CHAIRMAN

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	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 2024	**14,034**	**73,738**	**7,918**	**1,154,062**	**(3,995)**	**1,245,757**
Profit after taxation	**-**	**-**	**-**	**131,628**	**2,668**	**134,296**
Shares purchased for cancellation	**(1,449)**	**-**	**1,449**	**(127,451)**	**-**	**(127,451)**
Shareholders' funds at 31 December 2024	**12,585**	**73,738**	**9,367**	**1,158,239**	**(1,327)**	**1,252,602**

For the year ended 31 December 2023

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

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 £'000	**2024 £'000**	2023 £'000	2023 £'000
Cash flow from operating activities				
Profit before taxation	**134,756**		48,680	
Adjustments for gains on investments	**(131,830)**		(45,419)	
Purchase of investments	**(229,991)**		(169,090)	
Sale of investments	**335,563**		237,981	
Return of capital	**348**		-	
Decrease/(increase) in receivables	**123**		(817)	
Decrease in payables	**(24)**		(26)	
Amortisation of fixed income book cost	**(1,424)**		(1,516)	
Effect of foreign exchange rate changes	**194**		1,316	
Overseas tax on overseas income	**(465)**		(538)	
Net cash inflow from operating activities		**107,250**		70,571
Cash flow from financing activities				
Shares purchased for cancellation	**(127,451)**		(107,420)	
Unclaimed dividends	**-**		8	

Net cash outflow from financing activities	**(127,451)**	(107,412)
Net decrease in cash and cash equivalents	**(20,201)**	(36,841)
Cash and cash equivalents at start of the year	**42,285**	80,442
Effect of foreign exchange rate changes	**(194)**	(1,316)
Cash and cash equivalents at the end of the year	**21,890**	42,285
Comprised of:		
Cash and cash equivalents	**21,890**	42,285

Cash flow from operating activities includes interest received of £3,765,000 (2023 - £2,663,000) and dividends received of £11,896,000 (2023 - £12,235,000).

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 are an integral part of this statement.

INCOME

	2024 £'000	2023 £'000
Dividend income from investments		
UK dividends from listed investments	**3,146**	4,184
UK dividends from unlisted investments (inc AIM)	**3,454**	3,273
Overseas dividends from UK-listed and AIM companies	**266**	394
Overseas dividend income	**5,157**	5,179
	12,023	13,030
Interest income from equity investments		
Income from unlisted (inc AIM) UK convertible bonds	**470**	535
Income from unlisted US convertible bonds	**205**	85
	675	620
Fixed interest		
UK interest from government securities	**-**	312
Overseas interest from government securities	**2,656**	2,368
	2,656	2,680
Other income		
Deposit interest	**1,702**	1,596
Other income	**113**	-
	1,815	1,596
Total income	**17,169**	17,926

Included within dividend income are special dividends of £330,000 (2023 - £964,000).

Included within deposit interest is interest received of £1,702,000 (2023 - £1,598,000), and interest paid of £nil (2023 - £2,000).

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 governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution, and is subject to the UK Listing Rules of the FCA. 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 FCA both for investment management and as an Alternative Investment Fund Manager (see the Directors' Report).

Administration of the Company and its investments has been delegated by HIML to the Bank of New York Mellon (International) Limited ("BNYMIL"). BNYMIL is also the depositary under a tripartite agreement between HIML, the Company and BNYMIL, and is responsible for custody activities. The company secretary is NSM Funds (UK) Limited ("NSM"); up until 30 September 2024 the company secretary was Apex Listed Companies Services (UK) Limited ("Apex").

OBJECTIVE
The Company's objective is to achieve capital appreciation through investments in smaller quoted companies in the areas of technology and communications. Investments may be made across the world. The business activities of investee companies will include technology and communications, and the supply of equipment and services to these companies.

INVESTMENT POLICY - STRATEGY

INVESTMENT POLICY - STRATEGY
While the policy is global investment in smaller quoted companies in technology and communications, 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 5bn at the point of purchase, there tends to be a correlation with the performance of smaller companies, as well as that of the technology and communications sectors. 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 unquoted 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, taking into account current and future cashflow requirements of the Manager. 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).

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 and the Audit Committee Report). Principal risks are also considered as part of the board's annual strategy meeting. The principal risks that follow are those identified by the board after taking account of mitigating factors.

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

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

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 invests in government debt securities which are investment grade.

Cash and cash equivalent balances are held only with approved deposit takers which are regulated entities and considered of high credit quality.

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 2024 (2023 - 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.

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. Quoted securities held by the Company are valued at bid prices, whereas material unquoted 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.

Other Price Risk Sensitivity
11.9% of the Company's total equity investments at 31 December 2024 (2023 - 13.1%) were listed on the main list of the London Stock Exchange and a further 24.7% (2023 - 30.0%) on AIM. The NASDAQ Stock Exchange accounts for 26.6% (2023 - 24.4%), New York Stock Exchange for 7.8% (2023 - 5.4%) and other stock exchanges or unquoted

29.0% (2023 - 27.1%). A 10% increase in equity investment prices at 31 December 2024 would have increased total net assets and profit & loss after taxation by £116,861,000 (2023 - £113,987,000). 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

	2024 Fair value £'000	**2024 Weighted average interest rate/ interest rate**	**2024 Weighted average period until maturity/ maturity date**	2023 Fair value £'000	2023 Weighted average interest rate/ interest rate	2023 Weighted average period until maturity/ maturity date
Fixed rate:						
US bonds	**31,919**	**3.9%**	**0.3 years**	60,765	2.7%	0.3 years
EMEA and Asia Pacific bonds	**29,498**	**1.5%**	**1.0 years**	-	-	-
Overseas convertible bonds	**559**	**18.0%**	**0.1 years**	549	18.0%	1.1 years
UK convertible bonds	**835**	**16.0%**	**1.7 years**	2,336	9.1%	0.9 years
Floating rate cash:						
Non-sterling	**8,593**	**4.0%**		27,877	3.7%	
Sterling	**13,297**	**4.9%**		14,408	3.4%	
	21,890			42,285		

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 2024 would have a direct effect on net assets. Based on the position at 31 December 2024, over a full year, an increase of 100 basis points would have increased the profit & loss after taxation by £219,000 (2023 - £423,000) and would have increased the net asset value per share by 0.44p (2023 - 0.75p). The calculations are based on the cash balances and number of shares in issue 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 2024 would have decreased total net assets and profit & loss after taxation by £367,000 (2023 - £195,000) and would have decreased the net asset value per share by 0.73p (2023 - 0.35p). A decrease in bond yields would have had an equal and opposite effect. The 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.

(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 breaks down the portfolio by geographic listing. However the location of the stock market quote only has a limited correlation to the costs, revenues and even activities of those companies, and so this note should not be regarded as a reliable guide to the sensitivity of the portfolio to currency movements. For example, the holdings in the portfolio that have suffered most from US weakness are UK companies with dollar revenues and sterling costs.

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

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

At 31 December 2024

	Investments £'000	**Cash and deposits £'000**	**Other receivables and payables £'000**	**Net exposure £'000**
US dollar	**436,547**	**2,663**	**344**	**439,554**
Euro	**101,417**	**2,771**	**95**	**104,283**
Taiwan dollar	**51,898**	**3,159**	**-**	**55,057**
Japanese yen	**47,741**	**-**	**44**	**47,785**
Norwegian krone	**36,083**	**-**	**207**	**36,290**
Canadian dollar	**32,895**	**-**	**16**	**32,911**
Australian dollar	**27,039**	**-**	**-**	**27,039**
Swedish krona	**19,257**	**-**	**-**	**19,257**
Singaporean dollar	**14,920**	**-**	**32**	**14,952**
Other overseas currencies	**17,494**	**-**	**139**	**17,633**
Exposure to currency risk on translation of valuations of securities listed in overseas currencies	**785,291**	**8,593**	**877**	**794,761**
Sterling	**444,736**	**13,297**	**(192)**	**457,841**

	1,230,027	**21,890**	**685**	**1,252,602**

At 31 December 2023

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

Foreign currency risk sensitivity

At 31 December 2024, had sterling strengthened by 10% (2023 - 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% (2023 - 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.

	2024 £'000	2023 £'000
US dollar	**43,955**	41,552
Euro	**10,428**	11,567
Taiwan dollar	**5,506**	5,732
Japanese yen	**4,779**	4,729
Norwegian krone	**3,629**	2,299
Canadian dollar	**3,291**	899
Australian dollar	**2,704**	2,218
Swedish krona	**1,926**	1,089
Singaporean dollar	**1,495**	22
Other overseas currencies	**1,763**	2,479
	79,476	72,586

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:

	2024 £'000	2023 £'000
Government debt securities	**61,417**	60,765
Cash and cash equivalents	**21,890**	42,285
Sales for subsequent settlement	**-**	1,918
	83,307	104,968

During the year the maximum exposure in fixed interest investments was £61,804,000 (2023 - £75,518,000) and the minimum £29,506,000 (2023 - £38,735,000). The maximum exposure in cash was £68,825,000 (2023 - £79,533,000) and the minimum £21,890,000 (2023 - £23,504,000).

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 unquoted investments are not readily realisable, but these only amount to 1.4% of the Company's total assets at 31 December 2024 (2023 - 1.2%).

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. 11.9% (£136m) (2023 - 15.1% (£169m)) 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 2.2% (2023 - 2.7%).

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:

	2024 One year or less £'000	2023 One year or less £'000
Other payables	**1,165**	1,189
	1,165	1,189

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 FRS 102 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 2024

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets				
Equity investments	**1,151,283**	**-**	**10,546**	**1,161,829**
Government debt securities	**61,417**	**-**	**-**	**61,417**
Unquoted loan stocks	**-**	**-**	**6,781**	**6,781**
Total investments	**1,212,700**	**-**	**17,327**	**1,230,027**

At 31 December 2023

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

Unquoted Investments are valued £17,327,000 as at 31 December 2024 (2023 - £15,085,000). A 10% increase in unquoted equity investment prices at 31 December 2024 would have increased total net assets and profit & loss after taxation by £1,732,700 (2023 - £1,508,500). A decrease of 10% would have the exact opposite effect.

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

At 31 December 2024

	£'000
Opening balance at 1 January 2024	**15,085**
Purchases	**3,000**
Sales	**(2,361)**
Total losses	
- on assets sold during the year	**(87)**
- on assets held at 31 December 2024	**(6,753)**
Net assets transferred during the year	**8,443**
Closing balance at 31 December 2024	**17,327**

At 31 December 2023

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

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 to consider viability. This recognises the Company's current position, the

an appropriate forward looking time period to consider viability. 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 during the year, including risks to the Company's viability, and this is set out in the principal risks and uncertainties section. This assessment included emerging risks such as ongoing global tensions (for example the war in Ukraine, the Israel/Hamas conflict and associated tensions in the Middle East, and tensions over Taiwan), the risk arising from the recent increase in shareholder concentration, and continuing negative growing effects of climate change. As part of this, the board considered several severe but plausible scenarios, including the impact of significant market movements.

Other items relevant in the directors' assessment of the Company's viability were: income and expenses projections and the expectation that a 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 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 vote, which is an ordinary resolution, will be at the Company's forthcoming AGM on 24 March 2025. The board has no reason to believe that the continuation vote will not pass given a combination of factors including but not limited to: the performance of the portfolio; feedback from stakeholders, including the Company's advisers and several major shareholders; the past voting of all shareholders, including at the requisitioned general meeting held on 22 January 2025 (the details of which are contained in the Chairman's Statement).

The directors confirm that, based on the above and on reviews conducted as part of the detailed internal controls and risk management processes, 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.

On behalf of the board

ANDREW JOY
CHAIRMAN
19 February 2025

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 in the directors biographies confirm that, to the best of their knowledge:

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

On behalf of the board

ANDREW JOY
CHAIRMAN
19 February 2025

Status of announcement

Status of announcement

2023 Financial Information

The figures and financial information for 2023 are extracted from the published Annual Report and Accounts for the year ended 31 December 2023 and do not constitute the statutory accounts for that year. The 2023 Annual Report and Accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditors which was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

2024 Financial Information

The figures and financial information for 2024 are extracted from the Annual Report and Accounts for the year ended 31 December 2024 and do not constitute the statutory accounts for the year. The 2024 Annual Report and Accounts include the Report of the Independent Auditors which is unqualified and does not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The 2024 Annual Report and Accounts will be delivered to the Registrar of Companies in due course.

Neither the contents of the Company's web pages nor the contents of any website accessible from hyperlinks on the Company's web pages (or any other website) is incorporated into, or forms part of, this announcement.