

**PRELIMINARY STOCK EXCHANGE ANNOUNCEMENT**

**HERALD INVESTMENT TRUST plc**  
**Results for the six months ended 30 June 2011**

**27 July 2011**

The following is the unaudited Half-Yearly Financial Report for the six months to 30 June 2011

**HERALD INVESTMENT TRUST plc**

**Half-Yearly Financial Report 30 June 2011**  
**Responsibility Statement**

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- b) the Chairman's Review includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, and their impact on the financial statements and a description of principal risks and uncertainties for the remaining six months of the year); and
- c) the Half-Yearly Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein – see note 3).

By order of the Board

Julian Cazalet  
Chairman

26 July 2011

# HERALD INVESTMENT TRUST plc

## CHAIRMAN'S REVIEW

Herald's net asset value total return appreciated 6.6% to 633.0p per share in the half year, which is a satisfactory outcome relative to Western equity indices, which made only modest progress over the period. In particular the total return for NASDAQ was 1.9% in £, and the Russell 2000 Technology Index returned 4.4%, while the FTSE 100 delivered 3.0%, the FTSE Small Cap index returned 2.9% and the HGSC extended to include AIM delivered a total return of 2.4%. Within the Trust our UK investments returned 8.8%, the US 4.5%, Europe, 5.1% and the Far East declined 3.1%, all in £.

In the Far East, the technology sector continues to be dominated by high-volume, price-sensitive manufacturing. There has been an erosion in profit forecasts for a number of companies in the sector in recent weeks. This reflects some over-ordering at the time of the Japanese earthquake, and subdued consumer expenditure. We have consistently perceived these businesses as low quality from the perspective of an outside shareholder, so have a minimal exposure to this part of the market, particularly while the global economy is so precarious. The Korean IT Index has declined 11.8% in £ in the period, the Taiwanese Electronics Index has declined 8.5% and the Shanghai B share Index has declined 12% in £, which puts Herald's Far East performance into perspective. An additional cloud over China has been a proliferation of companies reporting accounting issues, following an extraordinary IPO boom. There are now a staggering 220 Chinese companies listed in the US, and at the last count 44 had class actions associated with accounting issues. In part, this appetite for US investment in Chinese companies reflects fairly full valuations in the US technology sector, the inadequate historic returns, and the investment bankers' appetite for deals and a new story, and a misguided belief that shareholder profits correlate with GDP growth.

It has been a source of frustration at Herald that western investment has poured into China, while significant effort by the Manager has uncovered little in the way of attractive investment opportunities in the TMT sector targeted. In contrast, the market at home has been unwilling to fund investment in more worthwhile domestic opportunities. The strategy for Herald has always been to take stakes in small companies, generally below 10% of the outstanding capital, without taking a board seat or actively contributing to the management of the company, as is required by venture capitalists. The challenge over the last three years has been the absence of co-investors in the UK to take similar minority stakes, and we are disappointed to have felt compelled to turn down a number of interesting opportunities, because a 10% stake provided insufficient primary capital. Furthermore, it has been a conscious effort to use the Company's limited resources to support existing investments both when capital has been required to finance growth and to defend against hostile predators. It is reassuring to see that the technology and media sector is not as unfashionable as it was, valuations have recovered to more normal levels, and the stream of takeover bids or attempts has somewhat abated. Nevertheless, takeover bids have exceeded new issues in the half. It seemed as though the door to the market was ajar in June for IPOs, and the second half might see some worthwhile new issues, but recent nervousness about the UK economy, and the problems associated with excessive sovereign debt on both sides of the Atlantic has made this less probable.

A particular frustration over the last three years has been the widespread targeting of a number of portfolio companies by private equity supporting management buy-outs, particularly when Herald has owned shares at the risk phase, having invested primary risk capital when a company has not reached profitability, only to see the less risky upside taken by others. We vehemently defend the long established principle that all shareholders should be treated equally, and management should

## **HERALD INVESTMENT TRUST plc**

### **CHAIRMAN'S REVIEW (Continued)**

not impose a sale on shareholders at an exit price they do not wish to participate in themselves. If the practitioners in the market both on the buy and sell side do not cherish and respect both the spirit and the letter of the principles of respecting minority shareholders, then small company investing in the UK, which has been so much more effective than in other developed and less developed economies, will be doomed. We are not just altruistic. Herald wants a healthy liquid market, and therefore wants small shareholders to co-invest in investee companies in the knowledge that we shall not be a party to profiting at their expense, as we have so often been invited to do. One successful outcome was Andor Technology. On 13<sup>th</sup> August 2008 the company announced a recommended offer at 73p for an MBO. This was successfully resisted and Herald significantly increased its holding in the following months, and at the period end Andor remained a quoted company at 651.5p. We along with management must remember that we benefitted from the opportunity to buy stock at an absurdly low price. Overall the tax payer has lost more than Herald shareholders from the breakdown of the small cap market in the UK in 2008-09, because of the number of emerging UK companies acquired by US corporations and private equity.

Strong dividend growth has led to a modest profit in the first half. There is a bias to final dividends which generally follow December and March year-ends and therefore go ex in the first half of the Company's year. It is uncertain whether the momentum of strong dividend growth will be sustained in the second half to offset this seasonal bias, and therefore maintain the second half profitability.

There has been hype in certain social media issues in the US leading to concerns of another "tech" bubble. This seems to be a typical US phenomenon - that of spotting the high growth area, but with valuations already discounting huge amounts of growth by the time they reach the quoted market. We have always been prepared to take risks, but prefer the range of outcomes being -100% to +1000% than +/-50%! The sector is not homogeneous and the challenge, and indeed our stock in trade, is to find growth that is not already recognised in the valuation.

The macroeconomic background is a perennial worry. Herald has been fully invested or marginally geared for nearly three years because these macro concerns have been offset by our confidence in the value and quality of investments held. The recent results season for many companies with a March year-end has been particularly heartening. Realistically we do not have the wisdom to time the inevitable market wobbles to come, nor do we have the luxury of liquidity to sell holdings and know that we can repurchase them. Our strategy is therefore to skew the portfolio to companies with pricing power, and defensive stable business revenues, in which we believe on a five year view, and to trade only at the margin. Thus far this has stood us in good stead, and we are grateful to the unsung heroes who manage so many of our investee companies. They take risks, take responsibility and create wealth, jobs and have directly enabled the rise in Herald's assets. Furthermore within the technology sector there is evident growth in important subsectors in excess of GDP growth, particularly the internet, and its emerging applications and suppliers, including the mobile internet, cybersecurity, hosting and more. The asset class remains relatively appealing and increasingly on the generalists' radar screen.

The principal risks and uncertainties facing the Company are set out in note 9.

**Julian Cazalet**  
**Chairman**  
**26 July 2011**

# HERALD INVESTMENT TRUST plc

## Summary of Performance

	At inception 16 February 1994	At 31 December 2010	At <b>30 June 2011</b>	Performance since 31 December 2010	Performance since inception
NAV per share	98.7p	593.8p	<b>633.0p</b>	6.6%	541.3%
Share price	90.9p	483.0p	<b>528.5p</b>	9.4%	481.4%
FTSE 100 Index	3,417.7	5,899.9	<b>5,945.7</b>	0.8%	74.0%
HGSC Index plus AIM (capital gains ex. investment companies)	1,750.0	3,650.8	<b>3,696.3</b>	1.2%	111.2%
Russell 2000 (small cap) Technology Index (in sterling terms) <sup>††</sup>	688.7*	957.3	<b>1,003.3</b>	4.8%	45.7%

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

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

The portfolio comparative index against which performance is measured is 2/3 Hoare Govett Smaller Companies Index plus AIM (capital gains ex. investment companies) and 1/3 Russell 2000 (small cap) Technology Index (in sterling terms).

Past performance is not a guide to future performance.

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# HERALD INVESTMENT TRUST plc

## INCOME STATEMENT (unaudited)

	For the six months ended 30 June 2011			For the six months ended 30 June 2010			For the year ended 31 December 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	-	15,912	15,912	-	11,658	11,658	-	35,970	35,970
Movements in investment holding gains	-	13,368	13,368	-	20,018	20,018	-	104,622	104,622
Fair value movement on interest rate swap	-	1,077	1,077	-	(3,974)	(3,974)	-	(2,639)	(2,639)
Currency gains	-	13	13	-	89	89	-	347	347
Income from investments and interest receivable	4,884	-	4,884	3,385	-	3,385	7,243	-	7,243
Other income	-	-	-	-	-	-	34	-	34
Investment management fee (note 3)	(2,502)	-	(2,502)	(1,825)	-	(1,825)	(3,966)	-	(3,966)
Other administrative expenses	(179)	-	(179)	(150)	-	(150)	(299)	-	(299)
<b>Net return before finance costs and taxation</b>	<b>2,203</b>	<b>30,370</b>	<b>32,573</b>	<b>1,410</b>	<b>27,791</b>	<b>29,201</b>	<b>3,012</b>	<b>138,300</b>	<b>141,312</b>
Finance costs of borrowings	(1,456)	-	(1,456)	(1,412)	-	(1,412)	(2,816)	-	(2,816)
<b>Net return on ordinary activities before taxation</b>	<b>747</b>	<b>30,370</b>	<b>31,117</b>	<b>(2)</b>	<b>27,791</b>	<b>27,789</b>	<b>196</b>	<b>138,300</b>	<b>138,496</b>
Tax on ordinary activities	(64)	-	(64)	(46)	-	(46)	(154)	-	(154)
<b>Net return on ordinary activities after taxation</b>	<b>683</b>	<b>30,370</b>	<b>31,053</b>	<b>(48)</b>	<b>27,791</b>	<b>27,743</b>	<b>42</b>	<b>138,300</b>	<b>138,342</b>
<b>Net return per ordinary share</b> (note 4)	<b>0.85p</b>	<b>38.01p</b>	<b>38.86p</b>	<b>(0.06p)</b>	<b>34.42p</b>	<b>34.36p</b>	<b>0.05p</b>	<b>171.87p</b>	<b>171.92p</b>
<b>Weighted average number of ordinary shares in issue during each period</b>	<b>79,902,592</b>			<b>80,745,769</b>			<b>80,465,858</b>		

*The total column of this statement is the profit and loss account of the Company.  
All revenue and capital items in this statement derive from continuing operations. No operations were acquired or discontinued during the year.  
A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.*

# HERALD INVESTMENT TRUST plc

## BALANCE SHEET (unaudited)

	At 30 June 2011 £'000	At 30 June 2010 £'000	At 31 December 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	540,650	384,742	495,401
<b>Current assets</b>			
Debtors	1,472	979	1,316
Cash and short term deposits	23,107	40,795	39,497
	<u>24,579</u>	<u>41,774</u>	<u>40,813</u>
<b>Creditors</b>			
Amounts falling due within one year (note 6)	(52,886)	(50,853)	(52,715)
Derivative financial instruments (note 6)	(7,860)	(10,272)	(8,937)
	<u>(60,746)</u>	<u>(61,125)</u>	<u>(61,652)</u>
<b>Net current liabilities</b>	<u>(36,167)</u>	<u>(19,351)</u>	<u>(20,839)</u>
<b>Total net assets</b>	<u>504,483</u>	<u>365,391</u>	<u>474,562</u>
<b>Capital and Reserves</b>			
Called-up share capital	19,924	20,056	19,978
Share premium	73,738	73,738	73,738
Capital redemption reserve	2,028	1,896	1,974
Capital reserve	406,169	267,850	376,931
Revenue reserve	2,624	1,851	1,941
<b>Shareholders' funds</b>	<u>504,483</u>	<u>365,391</u>	<u>474,562</u>
<b>Net asset value per ordinary share (including income)</b>	<b>632.99p</b>	455.47p	593.85p
<b>Net asset value per ordinary share (excluding income)</b>	<b>632.14p</b>	455.53p	593.80p
<b>Ordinary shares in issue (note 7)</b>	<b>79,698,283</b>	80,223,283	79,913,283

# HERALD INVESTMENT TRUST plc

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (unaudited)

### For the six months ended 30 June 2011

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2011	19,978	73,738	1,974	376,931	1,941	474,562
Net return on ordinary activities after taxation	-	-	-	30,370	683	31,053
Shares bought back (note 7)	(54)	-	54	(1,132)	-	(1,132)
<b>Shareholders' funds at 30 June 2011</b>	<b>19,924</b>	<b>73,738</b>	<b>2,028</b>	<b>406,169</b>	<b>2,624</b>	<b>504,483</b>

### For the six months ended 30 June 2010

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2010	20,263	73,738	1,689	243,064	2,142	340,896
Net return on ordinary activities after taxation	-	-	-	27,791	(48)	27,743
Shares bought back	(207)	-	207	(3,005)	-	(3,005)
Dividends paid during the period <sup>#</sup>	-	-	-	-	(243)	(243)
<b>Shareholders' funds at 30 June 2010</b>	<b>20,056</b>	<b>73,738</b>	<b>1,896</b>	<b>267,850</b>	<b>1,851</b>	<b>365,391</b>

### For the year ended 31 December 2010

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2010	20,263	73,738	1,689	243,064	2,142	340,896
Net return on ordinary activities after taxation	-	-	-	138,300	42	138,342
Shares bought back	(285)	-	285	(4,433)	-	(4,433)
Dividends paid during the year <sup>#</sup>	-	-	-	-	(243)	(243)
<b>Shareholders' funds at 31 December 2010</b>	<b>19,978</b>	<b>73,738</b>	<b>1,974</b>	<b>376,931</b>	<b>1,941</b>	<b>474,562</b>

\* The capital reserve as at 30 June 2011 includes investment holding gains of £132,797,000 (30 June 2010 – £34,825,000; 31 December 2010 – £119,429,000).

<sup>#</sup> See note 5

**HERALD INVESTMENT TRUST plc**  
**CONDENSED CASH FLOW STATEMENT**  
**(unaudited)**

	For six months ended 30 June 2011 £'000	For six months ended 30 June 2010 £'000	For year ended 31 December 2010 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,029	2,075	3,580
NET CASH OUTFLOW FROM SERVICING OF FINANCE	(1,492)	(1,422)	(2,823)
FINANCIAL INVESTMENT			
Purchase of investments	(54,344)	(18,175)	(77,590)
Sale of investments	38,549	43,014	102,455
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENT	(15,795)	24,839	24,865
EQUITY DIVIDEND PAID (note 5)	-	(243)	(243)
NET CASH OUTFLOW/INFLOW BEFORE FINANCING	(15,258)	25,249	25,379
FINANCING			
Shares repurchased	(1,132)	(3,005)	(4,433)
Loans drawn down	25,000	-	-
Loans repaid	(25,000)	-	-
NET CASH OUTFLOW FROM FINANCING	(1,132)	(3,005)	(4,433)
<b>(DECREASE)/INCREASE IN CASH</b>	<b>(16,390)</b>	<b>22,244</b>	<b>20,946</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
(Decrease)/increase in cash in period	(16,390)	22,244	20,946
<b>MOVEMENT IN NET DEBT IN PERIOD</b>	<b>(16,390)</b>	<b>22,244</b>	<b>20,946</b>
<b>NET DEBT AT 1 JANUARY</b>	<b>(10,503)</b>	<b>(31,449)</b>	<b>(31,449)</b>
<b>NET DEBT AT 30 JUNE/31 DECEMBER</b>	<b>(26,893)</b>	<b>(9,205)</b>	<b>(10,503)</b>
<b>RECONCILIATION OF NET REVENUE BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Net return on ordinary activities before finance costs and taxation	32,573	29,201	141,312
Gains on investments	(30,357)	(27,702)	(137,953)
Currency gains	(13)	(89)	(347)
Changes in debtors and creditors	(148)	621	394
Amortisation of fixed income book cost	19	(1)	(19)
Income tax repaid	6	2	-
Realised currency profit	13	89	347
Overseas tax suffered	(64)	(46)	(154)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2,029</b>	<b>2,075</b>	<b>3,580</b>

# HERALD INVESTMENT TRUST plc

## TOP TWENTY EQUITY HOLDINGS at 30 June 2011 (unaudited)

Company	Business	Value £'000	% of total assets*
SDL	Internet software and website globalisation services	20,759	3.7
Imagination Technologies Group	Licenser of semiconductor intellectual property	20,181	3.6
Telecom Plus	Supplier of telecommunications services and other utilities	15,894	2.8
Phoenix IT Group	IT support and business continuity services	12,217	2.2
Group NBT	Provider of domain name registration and internet-related services	10,828	1.9
IQE	Supplier of advanced compound semiconductor wafers	8,929	1.6
Diploma	Distributor	8,840	1.6
Advent Software	Developer of investment management software	8,422	1.5
Euromoney Institutional Investor	Business-to-business media group focused on international finance sector	8,163	1.4
Opsec Security	Developer of anti-counterfeiting technologies, services and software	8,113	1.4
ATMI	Develops process materials and technology for the semiconductor industry	7,628	1.4
Fidessa Group	Developer of trading and portfolio management software	7,536	1.3
NCC Group	Provides IT assurance and IT protection solutions	7,435	1.3
IDOX	Supplier of software solutions and services primarily to the UK public sector	7,200	1.3
Websense	Web and e-mail filtering software	7,190	1.3
Ceva	Licenser of semiconductor intellectual property	7,183	1.3
M&C Saatchi	Global marketing services business	7,128	1.3
Kofax	Software and solutions to capture and transform business information	7,075	1.3
Electrocomponents	Electronic, electrical and industrial distributor	6,973	1.2
Statpro Group	Developer of portfolio analytics software	6,744	1.2
		<b>194,438</b>	<b>34.6</b>

\* Total assets before deduction of bank loans and derivative financial instruments.

## DISTRIBUTION OF ASSETS (unaudited)

	At 30 June 2011 %	At 30 June 2010 %	At 31 December 2010 %
Equities:			
United Kingdom	61.9	56.1	58.2
Continental Europe	2.0	1.8	2.3
USA	22.1	19.5	22.7
Asia Pacific	6.0	6.3	5.5
Emerging Markets	0.4	0.4	0.4
	<b>92.4</b>	<b>84.1</b>	<b>89.1</b>
Fixed interest: Sterling bonds	2.8	4.7	3.8
US\$ bonds	-	1.6	-
EUR bonds	0.9	-	-
Net liquid assets	3.9	9.6	7.1
Total assets (before deduction of bank loans and derivative financial instruments)	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# HERALD INVESTMENT TRUST plc

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (unaudited)

- The condensed financial statements comprise the statements for the six months to 30 June 2011. They have been prepared on the basis of the same accounting policies as set out in the Company's Annual Financial Statements at 31 December 2010 and in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information.' The Company's assets, the majority of which are investments in quoted securities, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with loan covenants are reviewed by the Board on a regular basis. In accordance with the Company's Articles of Association, Shareholders have the right to vote on the continuation of the Company every three years with the next vote being in April 2013. Accordingly, the Half-Yearly Financial Report has been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.
- The financial information contained within this Half-Yearly Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 December 2010 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

3. **Related party transactions**

Herald Investment Management Limited is appointed investment manager under a management agreement which is terminable on twelve months' notice. Its annual remuneration is 1.0% of the Company's net asset value based on middle market prices, calculated on a monthly basis payable in arrears. The management fee is levied on all assets except the holding in Herald Ventures II Limited Partnership managed by Herald Investment Management Limited.

4. <b>Net return per ordinary share</b>	<b>Six months ended 30 June 2011 £'000</b>	Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Revenue return on ordinary activities after taxation	<b>683</b>	(48)	42
Capital return on ordinary activities after taxation	<b>30,370</b>	27,791	138,300
Total net return	<b>31,053</b>	27,743	138,342
Weighted average number of ordinary shares	<b>79,902,592</b>	80,745,769	80,465,858

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

# HERALD INVESTMENT TRUST plc

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (unaudited) (ctd)

5. Dividends	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
<b>Amounts recognised as distributions in the period:</b>			
Final dividend for the year ended 31 December 2010 - Nil (2009 - 0.30p)	-	243	243

No interim dividend will be declared.

6. The Company has a £50 million multi-currency variable rate loan facility with The Royal Bank of Scotland plc which comprises two £25 million tranches expiring May 2013 (30 June 2010 - 50 million; 31 December 2010 - £50 million). On 31 May 2011, a £25 million tranche expired and was replaced with a two year £25 million multi-currency variable rate loan facility with The Royal Bank of Scotland plc expiring 30 May 2013. The arrangement fee on this replacement facility is £62,500 and has been written off through finance costs of borrowings. The interest on this facility has been fixed for the long term through a 30 year interest rate swap but may vary on periodic renewals to the extent that the mark up over LIBOR charged by a lending bank varies. At 30 June 2011 there were outstanding drawings of £50 million (30 June 2010 - £50 million; 31 December 2010 - £50 million). The fair value of the liabilities in respect of the interest rate swap contract at 30 June 2011 was a liability of £7,860,000 (30 June 2010 - £10,272,000; 31 December 2010 - £8,937,000) which was based on the marked to market value.
7. At the Annual General Meeting held on 19 April 2011 the Company's authority to buy back shares was renewed in respect of 11,979,001 ordinary shares (equivalent to 14.99% of its issued share capital at that date). In the six months to 30 June 2011 a total of 215,000 ordinary shares with a nominal value of £53,750 were bought back at a total cost of £1,132,000. At 30 June the Company had authority to buy back a further 11,764,001 ordinary shares.
8. During the period transaction costs on purchases amounted to £276,000 (30 June 2010 - £82,000; 31 December 2010 - £422,000) and transaction costs on sales amounted to £95,000 (30 June 2010 - £209,000; 31 December 2010 - £368,000).
9. **Principal risks and uncertainties**  
The principal risks facing the Company relate to the Company's investment activities. These risks are market risk (comprising other price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. An explanation of these risks and how they are managed is contained in note 21 of the Company's Annual Report and Financial Statements for the year to 31 December 2010. The principal risks and uncertainties have not changed since the publication of the Annual Report which can be obtained free of charge from Herald Investment Management Limited and is available on the Managers' website: [www.heralduk.com](http://www.heralduk.com). Other risks facing the Company include the following: regulatory risk (that the loss of investment trust status or a breach of applicable legal and regulatory requirements could have adverse financial consequences and cause reputational damage), operational/financial risk (failure of service providers accounting systems could lead to inaccurate reporting or financial loss), the risk that the discount can widen and gearing risk (the use of borrowings can magnify the impact of falling markets). Further information can be found on page 23 of the Annual Report.
10. The Half-Yearly Financial Report will be available on the Managers' website [www.heralduk.com](http://www.heralduk.com)<sup>†</sup> and will be posted to shareholders on or around 11 August 2011.

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

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