HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

ANNUAL AUDITED REPORT for year ended 31 December 2000

HERALD INVESTMENT FUND PLC

GENERAL INFORMATION

The following information is derived from and should be read in conjunction with the full text and definitions section of the Prospectus.

Herald Investment Fund plc (the "Fund") was incorporated on 12 February 1998 as an open ended, variable capital investment company under the laws of the Republic of Ireland and is listed on the Irish Stock Exchange. The Fund is organised in the form of an umbrella fund under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 1989 ("UCITS Regulations, 1989").

The Articles of Association provide for separate funds, each representing interests in defined portfolios of assets and liabilities which may be established from time to time with prior approval of the Central Bank of Ireland (the "Bank"). The Fund has obtained approval from the Bank for the establishment of The Herald Worldwide Fund (the "Fund") and this Fund was launched on 3 April 1998.

INVESTMENT OBJECTIVE

The objective of the Fund is to seek to achieve capital growth by investing principally in securities of issuers in the technology, communications and multi-media sectors which in the view of the Investment Manager offer potential growth in excess of the average.

MEETING INVESTMENT OBJECTIVE

In pursuing its investment objective, the Fund may hold a number of financial instruments which comprise:

* Equity shares, convertible shares, debt securities, ARIN's, depository receipts and investment companies held in accordance with the Fund's investment objective and policies;
* Cash, liquid resources and short term debtors and creditors that arise directly from its operations; and
* Forward exchange contracts. These are held in accordance with the Fund's investment objective and policies.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main risks arising from the Fund's financial instruments are set out below.

Political and/or Regulatory risks

The value of the Fund's assets may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Furthermore, it should be noted that the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made do not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. In particular, the Fund may be exposed to risks of expropriation, nationalism and confiscation of assets and changes in legislation relating to the permitted level of foreign ownership.

Currency risk

The base currency of the Fund is sterling, whereas investments may be acquired in a wide range of currencies, some of which may not be freely convertible currencies. It may not be practical or possible to hedge against the consequent currency risk and in certain instances the Investment Manager may not consider it desirable to hedge against such a risk. The Investment Manager will enter into hedging transactions at its sole discretion and solely for the purposes of efficient portfolio management.

Market risk

Some of the recognised exchanges on which the Fund may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Fund may liquidate positions to meet repurchase requests or other funding requirements. The trading and settlement practices on some of the recognised exchanges on which the Fund may invest, may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by the Fund. Where the Fund acquires or values securities on the over-the-counter market there is no guarantee that the Fund will be able to realise such securities at that valuation price due to the nature of the over-the-counter market.

GENERAL INFORMATION *continued*

PRICES

The price for buying and selling Shares in the Fund is represented by the Net Asset Value per Share. An initial charge of up to 3.5% of the Net Asset Value per Share may be payable directly to the Investment Manager.

A repurchase charge of 3% of the repurchase monies will be payable in respect of repurchases made within one year of subscription for shares and 1% in respect of repurchases made within two years of subscription.

DEALING

Subscriptions and repurchases of Shares may be made on a dealing day. Unless otherwise determined by the Directors, every Thursday of each month which is a business day, or the next succeeding business day if the foregoing is not a business day, shall be a dealing day.

The administrator shall determine the Net Asset Value per Share of the Fund on each dealing day in accordance with the Articles and by reference to the last quoted trade prices as of close of business on the relevant market on the business day preceding the dealing day.

Applications for Shares and repurchase orders must be received by the administrator by 5:00pm (Irish time) on the business day preceding any dealing day. Applications received after 5:00pm (Irish time) will be dealt on the next succeeding dealing day. Applications should be made to the administrator:

Deutsche International Fund Services (Ireland) Limited
George's Dock House
International Financial Services Centre
Dublin 1
Ireland

Tel: + 353-1-6076300
Fax: + 353-1-6076489

SUBSCRIBER SHARES

As at 31 December 2000, the Fund has issued 7 subscriber shares. The holders of these shares are not entitled to dividends or any surplus of assets over liabilities upon the winding-up of the Fund. They are thus described in the financial statements by way of this note only.

DIVIDENDS

It is proposed that the Fund will pay a distribution in respect of the Fund in April of each year in an amount not less than 85 per cent of the Fund's net income, where sufficient net income is available for distribution.

MINIMUM SUBSCRIPTION

The minimum initial investment requirement of the Fund is GBP10,000 and each subsequent investment must be a minimum of GBP5,000.

SIGNIFICANT EVENTS DURING THE PERIOD

The company issued a supplemental Prospectus on 2 February 2000 which extended the Stock Exchanges and Regulated Markets on which the company may invest.

On the 15 December 2000 a new Prospectus was issued. The significant changes dealt with in the new Prospectus are detailed below:

- amendment of performance fee calculation language
- change in the dealing frequency from fortnightly to weekly
- increase the minimum administration fee from GBP2,500 to EUR6,000
- taxation update to incorporate changes in the Irish Finance Act 2000
- amendment of language for subscriptions to give investors the opportunity to purchase a specific number of shares by allowing receipt of subscription monies up to four days after dealing day.

On 26 January 2000, William Backhouse and connected persons acquired a further 803.40 shares in The Herald Worldwide Fund.
On 8 June 2000, David Boyle and connected persons acquired a further 1,358.08 shares in The Herald Worldwide Fund.
On 22 June 2000, William Backhouse and connected persons acquired a further 448.03 shares in The Herald Worldwide Fund.

HERALD INVESTMENT FUND PLC

DIRECTORS' REPORT for the year ended 31 December 2000

The Directors present herewith their report together with the audited financial statements for the year ended 31 December 2000.

Results and Business Activities
The results of operations for the year are set out in the Statement of Total Return on page 22.

Dividends
No dividend is proposed for the year ended 31 December 2000.

Directors
The Directors of the Fund are as follows:

Alan Jeffers (Irish)
Mr Jeffers (Chairman) is a chartered accountant and former council member of the Institute of Chartered Accountants in Ireland. Mr Jeffers was previously Managing Director of Avenue Investment Fund, a venture capital investor in Ireland, and Financial Controller and Assistant Managing Director of Jefferson Smurfit Group plc from 1968 to 1973. He is a Director of Dipcot Holdings Ltd, Banking Automation Limited and several biotechnology companies and companies operating in the International Financial Services Centre.

William Backhouse (British)
Mr Backhouse is a chartered accountant. He joined the corporate finance department of Barings in 1970 and from 1984 until he retired in 1993, he was a director of Baring Asset Management. He is a director of Fleming Worldwide Income Investment Trust plc and Essex Rivers Healthcare NHS Trust. He is a Director of Baring Houston & Saunders Group Limited and a member of the Investors' Committees of Lionbrook Property Partnership and BH&S Residential Property Fund. He is also Treasurer of King Edward's Hospital Fund for London. Mr Backhouse is the Non-Executive Chairman and a shareholder of Herald Investment Management Limited.

David Boyle (British)
Mr Boyle worked for Morgan Grenfell from 1965 to 1982 in a number of capacities including corporate finance and, from 1977, asset management. In 1982, he joined the asset management subsidiary of Rowe & Pitman and, following that firm's merger with Mercury Securities in 1986, became a Director of Mercury Asset Management plc. He retired in 1997, and his current directorships include Lorien plc and Ramco Energy plc. He is also a member of the Investors' Committee of BH&S Residential Property Fund

Paul McNaughton (Irish)
Mr McNaughton is Chief Executive of Deutsche International (Ireland) Limited, which is the holding company of all the Deutsche International companies in Ireland. He is also a Director of a number of Irish investment companies.

Directors' and Secretary's Interests in Shares and Contracts
The number of shares held by Directors at the year end was as follows :

William Backhouse and connected persons	8,251.43	Shares
David Boyle and connected persons	13,540.29	Shares

None of the other Directors had interests in the Shares of the Fund at 31 December 2000 or at any time during the financial period. None of the Directors has a service contract with the Fund.

Significant Events Since the Year End
On 8 February 2001, William Backhouse and connected persons acquired a further, 1,191.04 shares in The Herald Worldwide Fund.

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Distributor Status
In respect of the year ended 31 December 1999, the Fund has obtained certification as a Distributing Fund as defined by the United Kingdom Income and Corporation Taxes Act 1988. It is intended that the Fund will apply for distributor status in respect of the year ended 31 December 2000.

On behalf of the Board of Directors

Mr Alan Jeffers
Mr Paul McNaughton

Date : 6 March 2001

HERALD INVESTMENT FUND PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period. In preparing those financial statements, the Directors are required to:

* select suitable accounting policies and then apply them consistently;

* make judgements and estimates that are reasonable and prudent;

* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 1999 and the UCITS Regulations, 1989. They are also responsible for safeguarding the assets of the Fund and in fulfilment of this responsibility, they have entrusted the assets of the Fund to the custodian for safekeeping in accordance with the Memorandum and Articles of Association of the Fund. The Directors are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board of Directors

Mr Alan Jeffers
Mr Paul McNaughton

Date: 6 March 2001

AUDITORS' REPORT to the Shareholders of Herald Investment Fund plc

We have audited the financial statements on pages 16 to 19 and 22 to 29 which have been prepared under the historical cost convention, as modified by the inclusion of investments at valuation, and the accounting policies set out on page 24.

Respective responsibilities of the Directors and Auditors in relation to the financial statements
The Directors are responsible for preparing the Annual Report. As described on page 7, this includes responsibility for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 1999 and the European Communities (Undertakings for Collective Investments in Transferable Securities) Regulations 1989. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the fund's financial statements are in agreement with the books of account. We also report to you our opinion as to:

* whether the fund has kept proper books of account; and

* whether the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion, the financial statements give a true and fair view of the state of affairs of the Fund at 31 December 2000, and its results for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1999 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989.

We have obtained all the information and explanations we consider necessary for the purpose of our audit. In our opinion, proper books of account have been kept by the Fund. The financial statements are in agreement with the books and records of the Fund.

In our opinion, the information given in the Directors' Report on pages 5 and 6 is consistent with the financial statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2
Ireland

Date: 6 March 2001

CUSTODIAN'S REPORT to the Members of Herald Investment Fund plc

We have enquired into the conduct of Herald Investment Fund plc for the year ended 31 December 2000, in our capacity as custodian to the Fund.

In our opinion, Herald Investment Fund plc has been managed in that period, in all material respects:

a) in accordance with the limitations imposed on investment and borrowing powers of the Fund by the Memorandum and Articles of Association and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 1989; and

b) otherwise in accordance with the provisions of the Memorandum and Articles of Association and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 1989.

Deutsche International Custodial Services (Ireland) Limited
George's Dock House
International Financial Services Centre
Dublin 1
Ireland

Date : 6 March 2001

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2000

Fund Objective

The defined remit for the Fund is to invest globally in information technology, communications and multi-media. The Manager believes that this area of the economy offers growth greater than the world economy as a whole, and therefore offers attractive investment opportunities. In addition, the Manager offers focused specialist management. The Fund was launched in April 1998 with an initial net asset value of GBP13.0m. At the end of 2000, the net asset value was GBP26.6m.

Statistics and Performance Report

	At inception 3 April 1998	At 31 Dec 1999	At 31 Dec 2000	Since 31 Dec 1999	Since Inception
NAV (p) inc. income	1000p	1983p	1560p	-21.3%	+56.0%
NAV (p) ex. income	1000p	1983p	1560p	-21.3%	+56.0%
FTSE-100	6064.20	6930.20	6222.50	-10.2%	+2.6%
FTSE-All Share	2832.37	3242.06	2983.81	-8.0%	+5.3%
FTSE-Smallcap	2640.10	3097.80	3183.30	+2.8%	+20.6%
FTSE-techMARK 100	n/a	3779.41	2564.05	-32.2%	n/a
Russell 1000 Technology	195.18	494.55	325.96	-34.1%	+67.0%
Russell 2000 Technology	157.01	321.96	191.7	-40.5%	+22.1%
NASDAQ Composite	1855.40	4069.31	2470.52	-39.3%	+33.2%

Market Background

2000 was undoubtedly a very difficult year in the Fund's remit, with the NASDAQ falling 39.3% in the US, techMARK losing 32.2% in the UK, and the infant Neuer Markt in Germany dropping 40%. After outperforming the general indices respectably in 1999, it is disappointing to report such poor performance for the year, with the NAV down by 21.3% (against the FTSE-100 –10.2% in the UK, the DAX in Germany –7.5% and the Dow Jones –6.5% in the US).

For the first 10 weeks of 2000 the momentum of the TMT (technology, media and telecommunications) bull run of Autumn 1999 continued, then in March a dramatic turnaround in market sentiment began and a relentless correction commenced, albeit with bear market rallies, that continued until the year end. The scale of the technology indices' slump from the euphoric days of the first quarter is best exemplified by the irrational exuberance demonstrated by participants in the Neuer Markt, where the index lost 68.1% of its peak value by the year end. Whilst the Fund lagged during the initial frothy period, this was in part because of being underweight in the over-hyped sub-sectors and markets. As the year progressed and these areas performed the worst, this stance helped the Fund outperform relatively.

Looking at the US as a proxy for the global markets, the year began well for capital raising, with 141 new issues in the US valued at US$24bn in the first quarter alone. Although 452 IPOs during the whole year raised US$80.6bn (compared to 547 IPOs in 1999 raising US$68.8bn), the IPO slowdown meant that in October only 17% of offerings met the high end of the price range (compared to 68% in February). Companies within the Fund's remit, especially within the Internet sector, found the doors to new financing firmly closed soon after the bubble burst in the Spring, either from venture capitalists or through a stock market offering. M&A activity within the Internet sector highlights this, with 60% of the US$87bn spent throughout the year occurring within the first quarter, and 6% in the fourth quarter, with the focus of investment shifting away from consumer-oriented sites (the dot.coms) to e-commerce and sites focused on businesses and professionals. (Source: Wall St Journal).

With the high cash burn rate common amongst the dot.com companies, this sub-sector fell out of favour, and the momentum that fuelled their ultimately outrageous market capitalisations up until March rapidly moved in the opposite direction causing unprecedented declines in share prices. Whilst the Bloomberg US Internet Index dropped by 66.3% during 2000, this understates the true story, with the Index supported by more established companies such as Cisco.

Market Background *continued*

Breaking the Index down into its components, the story is more shocking, with returns for the year as follows:

Internet Incubators	-96.5%
Internet Content Entertainment	-94.4%
Internet Connectivity Services	-89.3%
e-Commerce Products	-85.7%
e-Marketing/Information	-85.1%
e-Service/Consulting	-82.4%
Internet CT Information/News	-79.5%
Internet Applications Software	-74.9%
Web Portals/Internet Service Provider	-69.2%
Internet Telephony	-69.0%
Web Hosting/Development	-68.8%
e-Commerce Services	-66.2%
Business to Business	-57.1%
Internet Security	-56.9%
Internet Infrastructure Software	-41.7%
Internet Financial Services	-18.4%
Internet Infrastructure Equipment	+37.4%

With the end of the IPO gold rush slashing the funding for 'dot.coms' in conjunction with very high cash burn rates, at least 210 major dot.com companies in the US closed their doors last year, resulting in a direct loss of 15,000 jobs and US$1.5bn in investment evaporating in December alone. Business-to-consumer took the brunt of it, with 75% of closures falling in this sector. 55% were e-commerce companies, 30% were content companies and the remainder were infrastructure and online service companies. While it was bad at the beginning, it got worse towards the end: 60% of closures, 121 companies, happened in the fourth quarter. (Source: Webmergers.com). Not that the Internet itself is failing, the number of Internet users is still steadily climbing, but greed and flaky business models meant a shake-out was inevitable. Unfortunately, it is unlikely that we have seen the last of the Internet failures, because some dot.coms with fundamentally flawed business strategies will survive for a time having raised such vast amounts of cash from investors.

After the success seen by companies within the Fund's remit in 1999, many expectations for 2000 were aggressive. Unfortunately, some of the revenue of TMT companies in 1999 and 2000 is likely to have come from the balance sheets of newly financed companies (especially dot.coms). The fear of being left behind, together with IT budgets being freed up from the dreaded Millennium Bug, may have caused traditional companies to focus their attentions more on the newer (especially Internet) technologies. Once things started to go wrong, this all changed. Simplistically: Internet companies started running out of cash; new investment dried up, leading to a lack of funds to spend; and with the pressure being taken off due to failing Internet upstarts, traditional companies' IT budgets were reined back in. The effects of this drought spread to many sectors: media (advertising and PR); communications; software and certainly IT services.

The relevant Bloomberg US Sector Index in the table below highlights returns for the whole of the Fund's orbit:

Internet	-66.3%
Office/Business Equipment	-52.2%
Software	-50.9%
Telecommunication Services	-44.9%
Telecommunication Equipment	-41.6%
Computers	-24.6%
Media	-24.1%
Semiconductor	-19.5%
Electronics	+1.9%
Electrical Components & Equipment	+10.8%

The other sector to receive much attention was telecommunications, where a similar pattern of aggressive equity issuance, based on generally ridiculous valuations, was seen in the first half. A good example of this irrationality was the share prices of European mobile operators hitting peaks, even as the bidding in 3rd generation mobile licences surged ever higher.

Market Background *continued*

When the music stopped, the US operators hardest hit were the capital hungry CLEC (Competitive Local Exchange Carrier) businesses. The funding collapse has driven a number of such companies to bankruptcy. Probably the most high profile failure to date is Northpoint, which had built a US national network of DSLAM equipped central offices to deliver broadband access to consumers. Northpoint ran out of money in January 2001 and entered Chapter 11 Bankruptcy protection.

The operators' pain has been quickly passed on to the telecoms equipment suppliers, with the majority of such companies issuing profits warnings or indicating a worsening environment. This is whether they are exposed to the mobile sector (e.g. Motorola, Ericsson and Nokia), ADSL (e.g. Copper Mountain, Virata and Westell) or diversified businesses (e.g. Nortel and Lucent). The telecoms sector's balance sheet is in a perilous state, for as great as equity issuance has been it has proved insufficient to fund the roll out of the new mobile, data and access networks, therefore massive debt finance has been raised. In fact, it has been estimated that from 1996 to 2000, telecoms companies issued US$240 billion in high yield bonds. In addition, the telecoms equipment companies have significantly increased vendor financing, for instance Nortel is estimated to have an exposure of US$3.1bn and Lucent US$7bn. The scale of the exposure of the banking industry to the telecoms sector is so great that it poses a significant risk to the wider economy and is causing concern to banking regulators such as the Bank of England.

The poor performance of the indices is not necessarily a true reflection of the growth being seen by many companies within the Fund's orbit. Whilst reported and expected growth rates for many sub-sectors have decreased, certain areas of information technology, media and communications are still experiencing respectable rates of growth. Storage and optical companies did, on the whole, perform respectably, as did certain semiconductor stocks. As we anticipated, PC and mobile telephony related stocks performed less well. Whilst both of these sectors have experienced significant growth rates over the past few years, penetration levels are now great. For PCs, the drivers of replacement that existed in the past are waning, with entry level PCs being more than capable of running the majority of desktop software and no 'killer application' around the corner that will require an upgrade. Arguably, the rollout of next generation wireless technologies (e.g. GPRS, UMTS) will create an upgrade cycle for mobile handsets. However, the sector does not necessarily deserve a substantial premium rating due to the lengthy expected roll-out period and the relatively high proportion of low-usage pay-as-you-go customers, together with the clear failure of WAP services to date. The Investment Manager is sceptical about the valuations of many of these companies, especially given these slowing growth rates. The Fund continues to have a generally low exposure to the PC and mobile telephony sectors.

Data storage requirements continue to grow at a staggering rate, helped not only by the Internet explosion and the increased use of more rich (and more storage hungry) media types, but also by the increasing use of customer and supplier data by enterprises to better conduct their businesses. Storage companies such as EMC, a provider of enterprise storage systems, and Advanced Digital Information, a provider of data archiving solutions, performed relatively well within the portfolio.

Optical equipment companies also performed, with corporate and consumer bandwidth requirements remaining insatiable, driving the demand for 'fatter pipes' to the desktop. In turn, this requires continuous upgrades to the backbone – the 'Information Highway' infrastructure – benefiting companies within the portfolio such as Ciena. Other companies within the portfolio to benefit from the overall growth in communications infrastructure include Applied Micro Circuits and TranSwitch, both developers of silicon solutions.

Whilst the technology and telecoms companies were having a hard time of it (and rightly so after the over-exuberance of the past), these were not the only sectors to be under-performing expectations. The number of companies in the US that announced they would miss forecasts for the fourth quarter nearly doubled since the same time the previous year. Wall Street's consensus forecast for S&P500 companies' fourth quarter earnings growth slipped from 15.6% when the quarter began to just under 4%. This weakness, when tied in with a recent increase in redundancies, a collapse in US consumer confidence and weak retail sales, supports the thesis of a slowing US and potentially softer global economy. This slowdown is occurring to the extent that Alan Greenspan, the Chairman of the Fed, now expects a couple of quarters of zero growth and there is a risk of an outright recession.

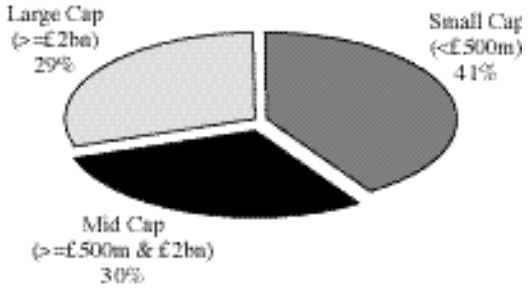
A key issue likely to drive the prices of global TMT stocks in the year ahead is the extent to which cuts in US interest rates prevent the economy slowing further and are successful in restoring consumer and investor confidence, hence reopening the capital markets. On balance, it is likely that policy makers will act promptly in reducing rates, but that this will not be sufficient to offset structural problems in some companies operating in the telecoms and PC industries.

Portfolio Weightings

In a sector where individual stocks have a high degree of volatility, the Manager aims to reduce investors' risk by creating a diversified portfolio. As at 31 December 2000, the spread was as follows:

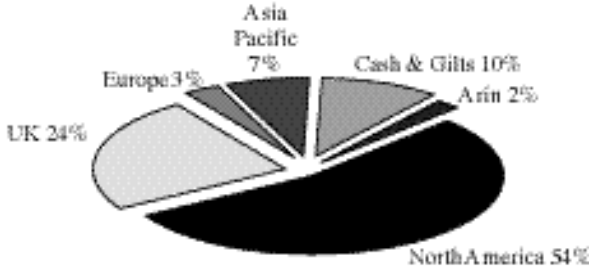
BY MARKET CAP

	1999	2000	change
Large Cap	37%	29%	-8%
Mid Cap	30%	30%	0%
Small Cap	33%	41%	+8%



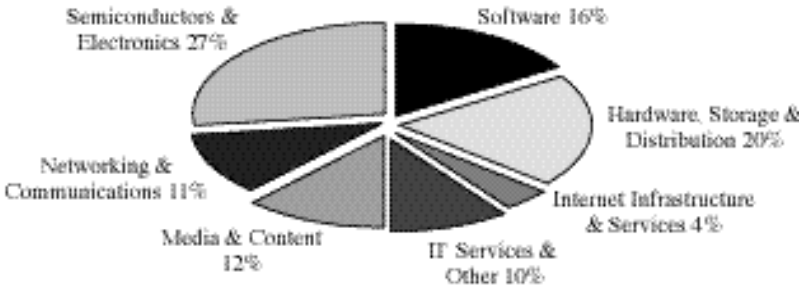
BY GEOGRAPHY

	1999	2000	change
North America	48%	54%	+6%
UK	27%	24%	-3%
Europe	4%	3%	-1%
Asia Pacific	12%	7%	-5%
Cash & Gilts	7%	10%	+3%
ARIN	2%	2%	0%



BY SECTOR

	1999	2000	change
Semiconductor & Electronics	15%	27%	+12%
Networking & Communications	14%	11%	-3%
Media & Content	20%	12%	-8%
IT Services & Other	14%	10%	-4%
Internet Infrastructure & Services	8%	4%	-4%
Hardware, Storage & Distribution	14%	20%	+6%
Software	15%	16%	+1%



UK Portfolio Comment

The performance of the Fund was supported by some early profit taking in the UK portfolio. Over GBP2m was taken out during the first half, mostly in the first quarter, where the Manager believed that valuations had reached unprecedented levels. The correction during the rest of the year provided opportunities to put money back selectively in to the market, with over GBP1m invested in the UK in the second half, mostly in the third quarter. Whilst the generally outrageous valuations seen at the end of 1999 and the beginning of 2000 are, on the whole, behind us, this does not mean that things have moved in the opposite direction, making stocks very cheap. Indeed, there are many companies in the Fund's orbit that still have quite forward-looking multiples.

Performance was very much stock specific. Core positions in Acal, Azlan and Northamber worked well. Anite ended the year as a large holding through organic growth, despite taking profits in February and March. Profits were also taken in Rolfe & Nolan in the Spring, with more than half of the position being realised. Much of this was bought back in September, clearly at much lower levels. Profit taking in Telemetrix contributed to its performance during the year.

US Portfolio Comment

Almost GBP3m net was put to work in the US in the first half and almost GBP3.5m in the second, mostly in the fourth quarter. The first half of the year saw a net inflow of subscriptions of GBP2.4m in to the Fund, with GBP2.6m of net inflows in the second half. The amount of net investment in US stocks during the year is a reflection of a belief that the strongest companies in the remit are based there, on increasingly realistic valuations; and a decision to keep the US weighting in the Fund above 50% when the portfolio underperformed.

Although performance was on the whole stock specific, the semiconductor and electronics stocks in the portfolio performed relatively well, and the Internet related stocks performed badly. Applied Micro Circuits, APW and Transwitch contributed respectably. Contributions from Ciena, EMC and Serena were also welcome. As stated in previous financial statements, the Manager has always been sceptical of the at best fragile, at worst fundamentally flawed business models put forward by the consumer focused dot.coms. As such, the portfolio has never been highly exposed to this sub-sector. Nevertheless, the Manager believes the Internet is changing the way businesses and consumers alike operate in a commercial world. There is an ongoing pervasiveness and penetration of Internet related activities, a maturity and global acceptance by business and consumers alike. The Investment Manager believes that the Internet is a utility, similar to the electricity supply, which will facilitate new and better commercial opportunities in the future. The 'shake-out' of the Internet-focused companies in 2000 will hopefully make it easier for those companies with a solid business plan and commercial opportunity to focus on making their businesses a success and return value to shareholders. The 'land grab' concept that was prevalent for the last few years has been discredited – businesses must be built on a solid foundation, with prospects for a consistent profit stream in future years. The Investment Manager continues to take a cautious approach to the Internet sector but believes there will be good investment opportunities, where there is strong management, a similarly robust business model, and a sector/market worth attacking.

Rest of World Portfolio Comment

Over GBP1.7m was taken out of the Fund's Far East portfolio in the first half, with a net investment of approximately GBP600k put back in the second. Strong relative performance was seen from Star (Malaysia), Ricoh (Japan) and the holdings in Hong Kong (Li & Fung and South China Morning Post). Deteriorating economic and political fundamentals hindered the Asian markets. The fortunes of Asian technology companies are closely linked to the global electronics cycle and stocks declined sharply as the outlook worsened during the year.

Just under GBP400k was taken out of the Fund's European portfolio in the first half, with just over GBP400k put back in the second. Since its inception in April 1998, the Fund has never been overweight in Europe. In 2000, Europe was one of the worst markets, but it was not a difficult decision to stay underweight, especially in the growth focused 'new markets' such as the Neuer Markt.

Adjustable Rate Index Notes (ARINs)

The ARIN is an interest bearing debt security that enables profits to be made from declining share prices. The Fund's use of ARINs proved more effective in 2000, both in terms of absolute return but also by having a dampening effect, reducing volatility. The exposure was initially increased at the end of 1999. Although the call was early, experiencing heavy losses at the beginning of the year, this proved beneficial later in 2000. The exposure to the ARIN was reduced early in the second half.

Whilst benefit has been seen through its use, with hindsight a more aggressive position should have been taken – an opportunity lost. With valuations coming more down to earth throughout the whole of 2000, it is unlikely the exposure will become aggressive in 2001, however it is still a valuable tool to be used for stock-specific overvalued situations.

Outlook

These thoughts highlight the fact that the Fund's defined remit is not a homogeneous sector: yesterday's new technologies are maturing, at the same time as others are emerging. Whilst PCs and mobile phones have been exceptional new markets, the scale of which will be difficult to repeat, there is nevertheless a staggering pace of change, with which we as specialists struggle to keep up. With the scale of money Herald has under management, we would be disappointed and surprised if we were not able to find some interesting opportunities.

Whilst the specialist indices performed very badly in 2000, the commercial performance of many of the companies was far more respectable. The poor performance of the indices was perhaps due more to a correction of over-exuberance, greed and unrealistic expectations, than to poor execution across the board by the companies within these sectors.

We are much more comfortable in a less speculative environment, however there are clearly greater macro concerns than there have been for some time. Overall valuations and expectations are at more realistic levels and we believe attractive investment opportunities will continue to emerge.

Areas of interest include:

Communications & Networking
-"Always-on"
-Broadband
- Cable, xDSL
- Wireless

-Bandwidth
- Local-Loop
- Metropolitan
- Backbone

-Optical

Business Intelligence
-IT
- Cost versus Revenue Driver
- Productivity

-Leverage "Digital Assets"
- Internet – SFA, SCM
- External – B2B/B2C, CRM, SCM

-Content Management
-Knowledge Management

The "Post-PC"Era
-Mobile/Wireless Access
- Bluetooth
- Wireless Ethernet
- Next Generation Mobile Networks

-Non-PC Devices
- PDAs
- Mobile Phones
- Internet Appliances
- Set-Top Boxes

Hardware
-Storage Area Networks
-Network Attached Storage
-Security
-Semiconductors
-Manufacturing Outsourcing

Multi-Media Communications
-Cable TV
-Satellite Broadcasting
-Unified Messaging
-Interactivity
-Personalisation / Filtering

Media and Internet
-Content
-Convergence
-E-Business
-E-Commerce
-Security

Services
-Ongoing Skills Shortage
-Outsourcing

Herald Investment Management Limited

Investment Manager

Date: 6 March 2001

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 31 December 2000

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
AUSTRIA 0.87% (1999:1.60%)				
BUSINESS AND PUBLIC SERVICES				
20,000	Plaut AG	(a)	230,030	0.87
CANADA 0.95% (1999:0.98%)				
DATA PROCESSING AND REPRODUCTION				
20,000	Cognos Inc	(a)	251,874	0.95
FRANCE 0.75% (1999:2.35%)				
BUSINESS AND PUBLIC SERVICES				
12,600	Prologue Software SA	(a)	74,202	0.28
ELECTRONIC COMPONENTS AND INSTRUMENTS				
360	Egide SA	(a)	124,895	0.47
GERMANY 0.18% (1999:NIL)				
ELECTRICAL AND ELECTRONICS				
20,000	Teles AG	(a)	46,509	0.18
HONG KONG 1.48% (1999:3.35%)				
BROADCASTING AND PUBLISHING				
400,000	South China Morning Post (Holdings) Limited		199,116	0.75
FINANCIAL SERVICES				
160,000	Li & Fung Limited		194,996	0.73
JAPAN 1.07% (1999:0.32%)				
DATA PROCESSING AND REPRODUCTION				
23,000	Ricoh Co Limited		284,480	1.07
MALAYSIA 1.31% (1999:3.12%)				
BROADCASTING AND PUBLISHING				
185,000	Star Publications (Malaysia) Berhad		348,718	1.31
NETHERLANDS 0.19% (1999:NIL)				
DATA PROCESSING AND REPRODUCTION				
20,000	Lycos Europe NV	(a)	51,160	0.19
NORWAY 0.88% (1999:NIL)				
TELECOMMUNICATIONS				
80,000	Nera ASA		233,810	0.88
POLAND 0.47% (1999:0.37%)				
TELECOMMUNICATIONS				
10,000	Netia Holdings SA	(a)	124,013	0.47
SINGAPORE 0.83% (1999:2.43%)				
TELECOMMUNICATIONS				
70,000	Datacraft Asia Limited		221,181	0.83
SOUTH KOREA 0.59% (1999:1.44%)				
TELECOMMUNICATIONS				
10,000	SK Telecom Co. Limited		157,735	0.59

PORTFOLIO OF INVESTMENTS as at 31 December 2000 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
TAIWAN 1.33% (1999:0.84%)				
ELECTRONIC COMPONENTS AND INSTRUMENTS				
85,050	Sunplus Technology Co. Limited		226,316	0.85
323,400	Universal Scientific Industrial Co. Limited		126,303	0.48
UNITED KINGDOM 30.66% (1999:28.21%)				
ARIN 2.73% (1999:1.48%)				
100,000	Baltimore Technologies plc ARIN	(b)	672,030	2.53
5,000	NXT plc ARIN	(b)	53,803	0.20
BONDS 3.82% (1999:NIL)				
1,000,000	UK Treasury 7% STK 11/06/01		1,013,400	3.82
WARRANTS 2.30% (1999:2.25%)				
INVESTMENT COMPANIES				
160,000	Herald Investment Trust plc		612,000	2.30
EQUITIES 21.81% (1999:24.48%)				
DISTRIBUTORS				
65,333	Acal plc		445,898	1.68
500,000	Action Computer Supplies Holdings plc		186,250	0.70
250,000	Northamber plc		283,750	1.07
IT HARDWARE				
50,000	IQE plc		98,750	0.37
300,000	Telemetrix plc		1,072,500	4.04
MEDIA & PHOTOGRAPHY				
100,000	Aegis Group plc		138,000	0.52
30,000	Daily Mail & General Trust		255,000	0.96
700,000	Teamtalk.Com Group plc		133,000	0.50
SOFTWARE & COMPUTER SERVICES				
350,000	Anite Group plc		589,750	2.22
400,000	Azlan Group plc		722,000	2.72
395,000	Bright Station plc		92,825	0.35
15,000	Misys plc		99,000	0.37
22,100	Orbital Software Holdings plc		22,321	0.08
300,000	Patsystems plc		309,000	1.16
70,300	Rolfe & Nolan plc		274,873	1.03
110,000	Superscape plc		273,900	1.03
SPECIALITY & OTHER FINANCE				
131,100	Internetaction.Com plc	(a)	10,488	0.04
SUPPORT SERVICES				
25,000	PSD Group plc		238,750	0.90
710,000	Systems International Group plc	(a)	266,250	1.00
TELECOMMUNICATIONS SERVICES				
70,000	IMS Group plc		39,200	0.15
129,719	PNC Tele.Com plc	(a)	121,936	0.46
100,000	Project Telecom plc		82,500	0.31
37,800	Telewest Communications plc		39,029	0.15

PORTFOLIO OF INVESTMENTS as at 31 December 2000 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES 53.00% (1999:47.79%)				
BROADCASTING AND PUBLISHING				
9,258	Clear Channel Communications Inc		300,197	1.13
10,000	Comcast Corp	(a)	279,489	1.05
20,000	Getty Images Inc	(a)	428,438	1.61
2,000	Time Warner Inc		69,942	0.26
10,000	True North Communications Inc		284,509	1.07
BUSINESS AND PUBLIC SERVICES				
6,000	Akamai Technologies Inc	(a)	84,600	0.32
30,000	Computer Horizons Corp	(a)	48,952	0.18
60,000	Engage Inc	(a)	30,125	0.11
6,500	Inktomi Corp	(a)	77,780	0.29
20,000	Keynote Systems Inc	(a)	189,952	0.72
4,500	Microsoft Corp	(a)	130,665	0.49
20,000	Modem Media Inc	(a)	44,350	0.17
20,000	Multex.Com Inc	(a)	177,400	0.67
20,000	NetScout Systems Inc	(a)	133,887	0.50
10,000	NOVA Corp		133,468	0.50
77,350	Onesource Information Services Inc	(a)	401,300	1.51
18,000	Oracle Corp	(a)	350,197	1.32
30,000	Pinnacle Holdings Inc	(a)	182,002	0.69
DATA PROCESSING AND REPRODUCTION				
25,000	Advanced Digital Information Corp	(a)	384,924	1.45
25,000	Citrix Systems Inc	(a)	376,556	1.42
10,000	MTI Technology Corp	(a)	26,359	0.10
28,000	RSA Security Inc	(a)	991,097	3.73
9,000	SanDisk Corp	(a)	167,191	0.63
15,000	Sapient Corp	(a)	119,870	0.45
11,250	Serena Software Inc	(a)	257,823	0.97
65,000	Walker Interactive Systems Inc	(a)	58,471	0.22
18,000	Wind River Systems Inc	(a)	411,200	1.55
9,000	Xircom Inc	(a)	93,386	0.35
ELECTRICAL AND ELECTRONICS				
10,000	American Power Conversion Corp	(a)	82,842	0.31
25,000	APW Limited		564,835	2.13
5,000	Cadence Design Systems Inc		92,047	0.35
38,000	Credence Systems Corp	(a)	585,085	2.20
13,600	Flextronics International Limited	(a)	259,472	0.98
10,000	Jabil Circuit Inc		169,869	0.64
15,000	Xilinx Inc	(a)	463,164	1.74
ELECTRONIC COMPONENTS AND INSTRUMENTS				
21,000	Analog Devices Inc		719,599	2.71
14,000	Applied Micro Circuits Corp	(a)	703,345	2.65
17,000	EMC Corp Massachusetts		756,795	2.85
5,000	MIPS Technologies Inc	(a)	89,328	0.34
8,000	Texas Instruments Inc		253,715	0.96
INDUSTRIAL COMPONENTS				
6,000	CIENA Corp	(a)	326,098	1.23

PORTFOLIO OF INVESTMENTS as at 31 December 2000 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES 53.00% (1999:47.79%) *continued*				
MACHINERY AND ENGINEERING				
60,000	Asyst Technologies Inc	(a)	539,731	2.03
10,000	TranSwitch Corp	(a)	261,916	0.99
MISCELLANEOUS MATERIALS				
14,000	Novellus Systems Inc	(a)	336,809	1.27
TELECOMMUNICATIONS				
10,000	ANTEC Corp	(a)	52,927	0.20
5,000	Black Box Corp	(a)	161,710	0.61
23,000	Copper Mountain Networks Inc	(a)	90,938	0.34
20,500	Global Crossing Limited	(a)	196,416	0.74
14,000	Lexent Inc	(a)	160,497	0.60
40,000	MRV Communications Inc	(a)	358,147	1.35
WHOLESALE,INTERNATIONAL TRADE				
18,000	Arrow Electronics Inc		344,926	1.30
15,000	Tech Data Corp	(a)	271,591	1.02
TOTAL INVESTMENTS			**25,117,473**	**94.56**
Current assets			2,096,882	7.89
Total assets			**27,214,355**	**102.45**
Current liabilities			(653,044)	(2.45)
NET ASSETS			**26,561,311**	**100.00**

	2000	**1999**	**1998**
Net Asset Value	GBP 26,561,311	GBP 29,252,526	GBP 12,450,154
Number of Shares in issue	1,702,106	1,474,893	1,267,524
Net Asset Value per Share	GBP 15.60	GBP 19.83	GBP 9.82
Average Net Asset Value for the year	GBP 32,965,160	GBP 16,889,318	GBP 12,265,576

Classification

(a) Transferable Securities dealt in on another regulated market.
(b) Transferable Securities other than those admitted to official stock exchange listing or dealt in on another regulated market.

All other Transferable Securities are admitted to an official stock exchange listing.

Analysis of Total Assets	**% of Total Assets**
Transferable Securities admitted to official stock exchange listing	46.67
Transferable Securities as described in classification (a) above	42.95
Transferable Securities as described in classification (b) above	2.67
Other assets (cash/debtors)	7.71
	100.00

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2000

MAJOR PURCHASES	GBP VALUE
ARIN	7,766,051
UK Treasury 7% STK 11/06/01	1,552,704
RSA Security Inc	962,092
MRV Communications Inc	928,357
SONICblue Inc	888,110
Credence Systems Corp	866,727
Asyst Technologies Inc	763,211
Engage Inc	667,265
Keynote Systems Inc	537,948
Novellus Systems Inc	519,471
Universal Scientific Industrial Co. Limited	518,926
Chartered Semiconductor Manufacturing Limited	481,629
Action Computer Supplies Holdings	480,473
Onesource Information Service	453,095
QPL International Holdings Limited	444,962
Xilinx Inc	436,137
K Laser Tech Inc	430,338
Thus plc	429,912
Teles AG	408,528
Jit Holdings Limited	351,390
Sapient Corp	349,608
Patsystems plc	326,436
At Home Corp	323,064

The above values reflect the aggregate of transactions for the period. In the case of the ARIN's this includes the rollover values of the contracts. The ARIN contracts have had a share exposure to the following securities:

Baltimore Technologies plc	3,446,560
NXT plc	1,165,185
Psion plc	882,048
SCM Microsystems, Inc	550,684
QXL Ricardo plc	467,600
Filtronic plc	399,030
365 Corporation plc	383,616
Freeserve plc	195,004
Recognition Systems Group plc	157,584
SAP AG	118,740

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2000 *continued*

MAJOR SALES	GBP VALUE
ARIN	7,924,317
Chartered Semiconductor Manufacturing Limited	899,567
MRV Communications Inc	653,882
EMC Corp	646,578
Premier Farnell plc	637,083
Unisem (Malaysia) Berhad	614,144
Prologue Software SA	581,641
K Laser Tech Inc	521,159
UK Treasury 7% STK 11/06/01	515,800
Admiral plc	493,377
Thus plc	467,593
Telemetrix plc	447,652
Anite Group plc	390,474
Applied Micro Circuits Corp	385,396
Rolfe & Nolan plc	380,953
Dataflex Holdings	380,953
Intel Corp	356,332
TranSwitch Corp	330,483
TCL International Holdings	326,187
QPL International Holdings	316,898
Venture Manufacturing (Singapore) Limited	315,693
Star Publications (Malaysia) Berhad	307,481
Korea Thrunet Co. Limited	294,415
Columbus Group plc	284,642
Compal Electronics Inc	282,704
Alcatel SA	281,304
CIENA Corp	277,243
EMAP plc	270,187
Datacraft Asia Limited	248,306

The above values reflect the aggregate of transactions for the period. In the case of the ARIN's this includes the rollover values of the contracts. The ARIN contracts have had a share exposure to the following securities:

Baltimore Technologies plc	2,825,278
NXT plc	1,267,965
SCM Microsystems Inc	872,112
QXL Ricardo plc	687,750
365 Corporation	544,506
Filtronic plc	517,720
Freeserve plc	253,554
Recognition Systems Group plc	234,104
Dell Computer Corp.	93,620

Note: Copies of all portfolio changes are available, free of charge, from the registered office of the Fund.

HERALD INVESTMENT FUND PLC

STATEMENT OF TOTAL RETURN for the year ended 31 December 2000

	Note	GBP	Year ended 31/12/00 GBP	GBP	Year ended 31/12/99 GBP
Net gains/(losses) on investments during the year	9		(7,600,517)		14,381,010
Other gains	10		51,638		148,092
Gross income	11	278,418		183,319	
Withholding tax		(5,343)		(1,011)	
Expenses	12	(382,166)		(1,493,789)	
Net (loss)/income for the year			(109,091)		(1,311,481)
Total Return for the year			(7,657,970)		13,217,621
Distribution	8		(286,025)		(235,667)
Net increase/(decrease) in Shareholders' Funds from investment activities			(7,943,995)		12,981,954

On behalf of the Board of Directors

Mr Alan Jeffers
Mr David Boyle

Date: 6 March 2001

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31 December 2000

	GBP	Year ended 31/12/00 GBP	GBP	Year ended 31/12/99 GBP
Net assets at the start of the year		29,252,526		12,450,154
Movement due to sales and repurchase of Shares				
Amounts received on sale of Shares	6,075,630		4,774,557	
Less: Amounts paid on repurchase of Shares	(822,850)		(954,139)	
		5,252,780		3,820,418
Net (decrease)/increase in shareholders' funds from investment activities		(7,943,995)		12,981,954
Net assets at the end of the year		26,561,311		29,252,526

On behalf of the Board of Directors

Mr Alan Jeffers
Mr David Boyle

Date: 6 March 2001

HERALD INVESTMENT FUND PLC

BALANCE SHEET as at 31 December 2000

	Note	31/12/00 GBP	31/12/99 GBP
Portfolio of Investments	1(e)	25,117,473	27,145,186
Net current assets			
Debtors	13	599,245	122,013
Cash and bank balances	14	1,497,637	3,320,266
		2,096,882	3,442,279
Less			
Creditors	15	(653,044)	(1,334,939)
Net current assets		1,443,838	2,107,340
Net assets		26,561,311	29,252,526
Shareholders' funds		26,561,311	29,252,526
Net Asset Value per Share		15.60	19.83

On behalf of the Board of Directors

Mr Alan Jeffers
Mr David Boyle

Date: 6 March 2001

1. Significant accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the inclusion of securities at valuation. The financial statements are prepared in accordance with generally accepted accounting standards in Ireland, the UCITS Regulations (1989) and except for the treatment of taking to the Profit and Loss Account (Statement of Total Return) unrealised profits arising on the valuation of marketable investments securities, in accordance with the Companies Acts 1963 to 1999 (see note 2). The financial statements are prepared in GBP (Sterling).

b) Income recognition

Dividends are recognised as income on the dates the securities are first quoted "ex dividend" to the extent that information thereon is reasonably available to the Fund. Bank deposit interest is accounted for on a receipts basis and other income is accounted for on an accruals basis. Income which suffers a deduction of tax at source is shown gross of such withholding tax. The policy followed in previous years was to show such income net of withholding tax. Franked investment income (which comprises most of UK source dividend income) is shown net of the notional tax credit. The comparative figures have also been reclassified. For the avoidance of doubt, this change is presentational only and does not restate net asset values.

c) Realised gains and losses on investments

Realised gains and losses on sales of investments are calculated based on the average book cost of the investment in local currency. The foreign exchange gain or loss based on the translation of the original cost of the transferable securities is included in the net gains or losses on investments. The foreign exchange gain or loss arising on the translation of other assets is included in other gains or losses.

d) Unrealised gains and losses on investments

Unrealised gains and losses on investments arising during the year are included in net gains or losses on investments in the Statement of Total Return.

e) Valuation of securities

Equities - Investments in equities are valued at last quoted trade prices at the year end.

Adjustable Rate Index Notes - Investments in adjustable rate index notes are valued using broker quoted closing market prices.

Bonds - Investments in bonds are valued at last quoted trade prices at the year end.

f) Foreign exchange

Foreign currency assets and liabilities, including investments, are translated into GBP at the exchange rate prevailing at the year end.

Foreign exchange gains and losses arising between transaction and settlement dates on purchases or sales of investments are included in net gains/(losses) on investments in the Statement of Total Return.

g) Organisational costs

Organisational costs comprise of the expenses of forming and launching the Fund and are being amortised over a period of five years.

h) Distribution policy

It is proposed that the Fund will declare and pay a distribution in respect of the Fund in April of each year in an amount not less than 85 per cent of the Fund's net income, where sufficient net income is available for distribution.

2. Basis of presentation of financial statements

The format of the financial statements is based upon the Statement of Recommended Practice - Financial Statements of Authorised Unit Trust Schemes issued by IMRO in January, 1997 as, in the opinion of the Directors, this represents best accounting practice and reflects the nature of the Fund's investment business.

The format and certain workings of the financial statements have been adapted from those contained in the Companies (Amendment) Act 1986 so that, in the opinion of the Directors, they more appropriately reflect the nature of the Fund's investment business. The Profit and Loss Account is referred to as the Statement of Total Return, and the Cashflow Statement is referred to as the Statement of Movements in Shareholders' Funds, throughout the financial statements.

The information required by Financial Reporting Standard no. 3 "Reporting Financial Performance" to be included in a Statement of Total Recognised Gains and Losses and a Reconciliation of Movements in Shareholders' Funds is, in the opinion of the Directors, contained in the Statement of Total Return and the Statement of Movements in Shareholders' Funds on page 22. In arriving at the results for the period, all amounts in the Statement of Total Return on page 22 relate to continuing activities.

Unrealised gains are shown in the Statement of Total Return. This represents a departure from the Companies (Amendment) Act, 1986. In the opinion of the Directors, this treatment is necessary to fairly present the results of operations. The amount of unrealised gains as at the year end is shown in note 9.

In the opinion of the Directors, the financial statements give the information required by the Companies Acts, 1963 to 1999.

3. Significant agreements

Investment Manager

Herald Investment Management Limited has been appointed to act as Investment Manager pursuant to the Investment Management Agreement. For this service, the Fund pays to the Investment Manager an annual fee payable monthly of 0.75% of the Net Asset Value ("NAV") of the Fund, accrued on each dealing day.

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV excluding performance fee at the end of the accounting period exceeds the target net asset value (110% of the opening NAV adjusted to take account of new subscriptions repurchases or distributions) of the Fund over the relevant period exceeds 10% of the previous highest NAV as at the end of an accounting period or the NAV of the Fund as at the close of the initial offer period in the case of the first period or where this is greater than the previous highest NAV of the Fund. This fee is calculated and accrued at each valuation point.

Administrator

Deutsche International Fund Services (Ireland) Limited has been appointed to act as Administrator pursuant to the administration agreement. For this service, the Fund pays to the administrator a fee, accrued on each dealing day based on the NAV on each dealing day and payable monthly in arrears at the following rates:

Rate	NAV
0.15% p.a.	0 – GBP20 Million
0.125% p.a.	GBP20 Million – GBP50 Million
0.10% p.a.	GBP50 Million +

This is subject to a minimum fee of EUR6,000 per month per fund. The administrator is also entitled to an annual fee of GBP10 per shareholder account and a fee of GBP15 per issuance of contract for subscription of Shares.

Custodian

Deutsche International Custodial Services (Ireland) Limited has been appointed custodian to the Fund pursuant to the custodian agreement. For this service, the Fund pays to the custodian a fee of 0.025% per annum of the NAV of the Fund. The custodian's fee is paid monthly in arrears and is accrued on each dealing day based on the NAV of the Fund on each dealing day. In addition, the custodian is entitled to a transaction charge of GBP30 per transaction.

4. Taxation

The Fund is not liable to any Irish taxes on income or on realised and unrealised capital gains. Capital gains, dividends and interest received by the Company may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Fund or its shareholders. Pursuant to the Irish Finance Act, 2000 tax may arise on the happening of a chargeable event. A chargeable event includes any distribution payments to shareholders or any encashment, redemption or transfer of shares. No tax will arise on the Fund in respect of:

(i) a shareholder who is not Irish resident and not ordinarily resident in Ireland at the time of the chargeable event, provided the necessary signed statutory declarations are held by the fund and;

(ii) certain exempted Irish resident investors who have provided the fund with the necessary signed statutory declarations.

5. Equalisation

Income equalisation arrangements are applied in the case of shares in the Fund. These arrangements are intended to ensure that the income per share which is distributed in respect of the distribution period is not affected by changes in the number of shares in issue during that period. The calculation of equalisation is based on net income and represents the income portion of the price of subscriptions / redemptions of shares.

6. Net Asset Value per Share

The Net Asset Value per Share is determined by dividing the net assets by the total number of Shares in issue.

7. Average Net Asset Value

The Average Net Asset Value is equal to the average of the Net Asset Values during the year, calculated at monthly intervals.

8. Distributions

The distributions take account of income received on the sale of shares and income deducted on the repurchase of shares (see Note 5), and comprise:

	Year ended 31/12/00 GBP	Period ended 31/12/99 GBP
Distribution	-	(79,688)
Income deducted on sale of Shares	(330,578)	(166,479)
Income received on repurchase of Shares	44,553	10,500
	(286,025)	(235,667)

9. Net gains/(losses) on investments during the year

The net gains/(losses) on investments during the year comprise:

	Note	Year ended 31/12/00 GBP	Period ended 31/12/99 GBP
Proceeds from sales of investments during the year		24,395,344	10,692,446
Original cost of investments sold during the year		(20,551,295)	(8,295,674)
Gains realised on investments sold during the year	1(c)	3,844,049	2,396,772
Net unrealised (appreciation)/depreciation at the start of the year	1(d)	(11,568,839)	415,399
Net unrealised appreciation at the end of the year	1(d)	124,273	11,568,839
Net (losses)/gains on investments during the year		(7,600,517)	14,381,010

10. Other gains

Other gains comprise:	Note	Year ended 31/12/00 GBP	Period ended 31/12/99 GBP
Foreign exchange gain on capital assets	1(f)	51,638	148,092

11. Gross income

	Note	Year ended 31/12/00 GBP	Period ended 31/12/99 GBP
Income from investments	1(b)	80,018	114,098
Bond interest	1(b)	53,231	-
Bank interest	1(b)	89,618	69,221
Fixed deposit income	1(b)	55,551	-
		278,418	183,319

12. Expenses

	Note	Year ended 31/12/00 GBP	Period ended 31/12/99 GBP
Payable to the Investment Manager			
Investment management fee	3	(251,152)	(119,900)
Performance fee	3	–	(1,288,419)
		(251,152)	(1,408,319)
Payable to the Administrator			
Administration fee	3	(46,424)	(31,630)
Registration fee	3	(495)	(345)
		(46,919)	(31,975)
Payable to the Custodian			
Custody fee	3	(8,625)	(4,010)
Sub-custody fee		(7,130)	(4,713)
Transaction fee	3	(12,660)	(6,990)
		(28,415)	(15,713)
Other expenses			
Audit fee		(11,341)	(3,847)
Directors' remuneration		(22,840)	(21,137)
Other		(21,499)	(12,798)
		(55,680)	(37,782)
Total expenses		(382,166)	(1,493,789)

13. Debtors

	31/12/00 GBP	31/12/99 GBP
Accrued income	23,663	16,538
Sale of securities awaiting settlement	551,366	81,554
Other debtors	24,216	23,921
	599,245	122,013

14. Cash and bank balances

	31/12/00 GBP	31/12/99 GBP
Cash and bank balances	1,497,637	3,320,266

All cash and bank balances are held with Deutsche Bank A.G., London.

15. Creditors

	31/12/00 GBP	31/12/99 GBP
Purchase of securities awaiting settlement	(607,194)	-
Performance fee	-	(1,288,419)
Accrued expenses	(45,850)	(46,520)
	(653,044)	(1,334,939)

16. Exchange rates

The GBP exchange rates used in the annual report were :

¥	170.59
EUR	1.59
HK$	11.65
MYR	5.68
NOK	13.17
SG$	2.59
TWD	49.42
US$	1.49
GBP	1.00

17. Purchases and sales of investments during the year

	Year ended 31/12/00 GBP	Period ended 31/12/99 GBP
Total purchases	29,949,526	12,342,430
Total sales	24,395,344	10,692,446

18. Related party transactions

Herald Investment Management Limited, which acts as Investment Manager of the Fund received GBP 248,759 during the year for providing this service. At the year end GBP 17,901 was due to Herald Investment Management Limited.

On 26 January 2000, William Backhouse and connected persons acquired 803.40 shares in The Herald Worldwide Fund, and on 22 June 2000 acquired a further 448.03 shares.

On 8 June 2000, David Boyle and connected persons acquired 1,358.08 shares in The Herald Worldwide Fund.

19. Significant events since the year end

On 8 February 2001, William Backhouse and connected persons acquired a further 1,191.04 shares in The Herald Worldwide Fund.

20. Soft commission arrangements

There were no soft commission arrangements during the period under review.

21. Financial instruments

The financial instruments of the Company are set out in the portfolio of investments on pages 16 to 19. The main risks and policies relating to financial instruments are set out on page 3. The Company has no financial liabilities other than short-term creditors as described in note 15.

A substantial portion of the investments of the Company are denominated in currencies other than in GBP and are included below:

2000

Currency	Investments GBP	Other Net Assets GBP	Total GBP
¥	284,480	-	284,480
EUR	526,794	1,048	527,842
GBP	8,146,203	1,680,763	9,826,966
HK$	394,112	131,540	525,652
MYR	348,718	(18)	348,700
NOK	233,810	-	233,810
SG$	-	4,611	4,611
TWD	352,619	(197)	352,422
US$	14,830,737	(373,909)	14,456,828
	25,117,473	1,443,838	26,561,311

1999

Currency	Investments GBP	Other Net Assets GBP	Total GBP
¥	92,677	_	92,677
EUR	1,156,726	_	1,156,726
GBP	8,243,426	1,888,939	10,132,365
HK$	978,975	(143)	978,832
MYR	912,879	_	912,879
SG$	213,007	_	213,007
TWD	_	189,255	189,255
US$	15,547,496	29,289	15,576,785
	27,145,186	2,107,340	29,252,526

22. Adjustable rate index notes (ARINs)

The Fund may invest up to 10% of Net Asset Value in ARINs. An ARIN is a form of promissory note issued by a brokerage firm or other counterparty which provides that the amount of principal will vary inversely to changes in the value of a specified security or basket of securities. The effect of such an instrument is equivalent to a short sale of the specified security or basket of securities, except that the potential loss to the Fund is limited to the amount invested in the ARIN.

23. Approval of the financial statements

The financial statements were approved by the Board of Directors on 6 March 2001.

Other Information

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David Boyle
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HERALD INVESTMENT FUND plc

ANNUAL AUDITED REPORT

for year ended 31 December 2000