

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INTERIM UNAUDITED REPORT for the six months ended 30 June 2001

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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 "Company") 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 Company is organised in the form of an umbrella fund under the European Communities (Undertaking 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 Company 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 objectives, 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;
- * Forward exchange contracts. These are held in accordance with the Fund's investment objectives 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.

HERALD INVESTMENT FUND PLC

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
Guild House
Guild Street
International Financial Services Centre
Dublin 1
Ireland

Tel: + 353-1-6076300

Fax: + 353-1-6076489

SUBSCRIBER SHARES

As at 30 June 2001, 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 Company 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

On 8 February 2001, William Backhouse and connected persons acquired a further 1,370.80 shares in The Herald Worldwide Fund.

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2001

The defined remit for the Fund is to invest globally in technology, communications and multi-media. The Investment 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 Investment Manager offers focused specialist management. The Fund launched in April 1998 with an initial net asset value of GBP13.0m. At the 30th June 2001 the net asset value was GBP24.5m.

Capital performance for the 6 months to 30/6/01

Herald Worldwide Fund NAV -16.2%

UK

FTSE 100 Index	-9.3%
FTSE All-Share Index	-8.6%
FTSE SmallCap Index	-8.0%
FTSE techMARK 100 Index	-30.3%
FTSE Information Technology Index	-50.0%

US

S&P 500 (£STG adjusted)	-1.9%
NASDAQ Composite Index (£STG adjusted)	-7.4%
Russell 1000 Large Cap Technology (£STG adjusted)	-15.8%
Russell 2000 Small Cap Technology (£STG adjusted)	-6.2%
Bloomberg US Internet Index (£STG adjusted)	-25.1%

Europe

FTSE EUROTOP 300 Index (£STG adjusted)	-12.7%
Neuer Markt Index (£STG adjusted)	-47.7%
NASDAQ Europe All Share Index (£STG adjusted)	-43.6%
Bloomberg European Internet Index (£STG adjusted)	-38.5%

Source: Herald Investment Management Limited, Bloomberg.

The first quarter of 2001 began with a strong rally in the US and Europe, following the surprise reduction in interest rates by the Federal Open Market Committee in the US on the first trading day of the year. The subsequent onslaught of disappointing reported revenue and earnings, however, put all technology markets back into free-fall, continuing the trend of the fourth quarter 2000. Further rate cuts failed to return confidence to the market, as company results and guidance deteriorated rapidly – projected estimates were dropping faster than share prices. The sheer magnitude of the drop in the specialist indices indicates the breadth and depth of the slowdown experienced by companies within the Fund's remit, with the Russell 1000 Technology Index falling 20.7%, the techMARK 100 dropping 30.3% and the Neuer Markt collapsing 45.6% (all in local currency terms). Dismal as this performance appears, the position would have been worse but for the strong performance of some pharmaceutical and biotechnology stocks with large weightings in the indices, but outside the remit of the Fund. For example, Shire Pharmaceuticals, now the largest constituent in the techMARK 100, rose almost 23% in the period.

Perhaps due to more cautious financial reporting standards, together with quarterly reporting, this deterioration in the technology economy was first seen in North America. It appears that the UK and Europe failed to fully take notice of the rapid slowdown occurring in the US, with companies shocking investors by pre-announcing results for the first half that were worse than expected.

In terms of sub-sector performance, the telecommunications and PC-related sectors were typically the weakest globally, with the relevant Bloomberg US index falling 51% and 23% respectively. The falls were a reflection of the continuing structural problems of these global industries that resulted from the technology spending bubble in 2000, leading to the building of inventory and over-capacity. The scale of these difficulties should not be underestimated: the US Federal Reserve's fabrication plant utilisation rate data hit 71% in April 2001, a 20 year low.

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2001 *continued*

Nevertheless, the Fund falling more than 16% during the period is disappointing, with the performance of the UK and European holdings being particularly poor. The US and Far Eastern portfolios performed relatively well, with pleasing performances from holdings in Citrix Systems (thin-client software), Novellus Systems (semiconductor equipment), Microsoft (applications software) and Clear Channel (media). The Fund also benefited from the cash take-over of Xircom by Intel at a significant premium. Use of the ARIN, an instrument which rises in value as stock prices fall, proved profitable during the period contributing over GBP334k, although a more aggressive position should have been taken. Returns for the period on a geographic basis were as follows (£STG adjusted):

North America	-7.9%
UK	-35.0%
Europe	-33.2%
Far East	+5.5%

The industry and economic outlook for companies in the Fund's remit of technology, media and communications, continues to be very tough, certainly in the short term with many companies reporting that they have little or no visibility and with order books in a weak position. Sales cycles have lengthened, exacerbated by spending decisions typically made now at board level. However, as the current inventory overhang corrects itself and economic confidence returns, investment in technology is likely to return to levels seen before the bubble of 2000. This may be a slow process.

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2001

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
AUSTRIA 0.49% (2000:0.84%)				
<i>BUSINESS AND PUBLIC SERVICES</i>				
50,000	Plaut AG	(a)	120,388	0.49
CANADA 0.97% (2000:1.60%)				
<i>DATA PROCESSING AND REPRODUCTION</i>				
20,000	Cognos Inc	(a)	239,050	0.97
EIRE 1.73% (2000:NIL)				
<i>COMPUTERS AND PERIPHERALS</i>				
15,460	Iona Technologies	(a)	423,215	1.73
FRANCE 0.20% (2000:0.34%)				
<i>BUSINESS AND PUBLIC SERVICES</i>				
12,600	Prologue Software SA	(a)	50,133	0.20
GERMANY NIL (2000:0.52%)				
HONG KONG 1.53% (2000:2.34%)				
<i>BROADCASTING AND PUBLISHING</i>				
400,000	South China Morning Post (Holdings) Limited		187,795	0.77
<i>FINANCIAL SERVICES</i>				
160,000	Li & Fung Limited		186,701	0.76
ITALY 1.21% (2000:NIL)				
<i>COMMERCIAL SERVICES AND SUPPLIES</i>				
30,000	Reply SpA		296,298	1.21
JAPAN 1.44% (2000:0.97%)				
<i>DATA PROCESSING AND REPRODUCTION</i>				
23,000	Ricoh Co Limited		352,737	1.44
MALAYSIA 1.23% (2000:1.21%)				
<i>BROADCASTING AND PUBLISHING</i>				
23,125	Star Publications (Mayaysia) Berhad - Warrants		5,106	0.02
185,000	Star Publications (Mayaysia) Berhad		297,711	1.21
NETHERLANDS NIL (2000:0.37%)				
NORWAY 0.70% (2000:NIL)				
<i>TELECOMMUNICATIONS</i>				
80,000	Nera ASA		171,827	0.70
POLAND NIL (2000:0.53%)				
SINGAPORE 0.41% (2000:NIL)				
<i>TELECOMMUNICATIONS</i>				
35,000	Datacraft Asia Limited		101,536	0.41

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2001 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
SOUTH KOREA 0.49% (2000:NIL)				
<i>TELECOMMUNICATIONS</i>				
10,000	SK Telecom Co. Limited		120,165	0.49
TAIWAN 1.74% (2000:2.32%)				
<i>ELECTRONIC COMPONENTS AND INSTRUMENTS</i>				
85,050	Sunplus Technology Co. Limited		256,446	1.05
323,400	Universal Scientific Industrial Co. Limited		142,262	0.58
61,446	Universal Scientific Industrial Co. Limited (Bonus issue)		27,030	0.11
UNITED KINGDOM 22.34% (2000:28.78%)				
ARIN 0.78% (2000:6.93%)				
70,000	Innovation Group plc	(b)	191,100	0.78
BONDS NIL (2000:2.96%)				
WARRANTS 1.42% (2000:2.23%)				
<i>INVESTMENT COMPANIES</i>				
160,000	Herald Investment Trust plc		348,000	1.42
EQUITIES 20.14% (2000:16.66%)				
<i>COMPUTERS AND PERIPHERALS</i>				
25,000	AIT Group plc		178,875	0.73
<i>DISTRIBUTORS</i>				
65,333	Acal plc		351,165	1.43
500,000	Action Computer Supplies Holdings plc		155,000	0.63
250,000	Northamber plc		183,750	0.75
<i>ELECTRONIC AND ELECTRICAL EQUIPMENT</i>				
95,000	Minorplanet Systems plc	(a)	315,875	1.29
300,000	Telemetrix plc		408,000	1.66
<i>IT HARDWARE</i>				
50,000	IQE plc		65,250	0.27
<i>MEDIA & PHOTOGRAPHY</i>				
350,000	Aegis Group plc		367,500	1.50
30,000	Daily Mail & General Trust		222,450	0.91
700,000	Teamtalk.Com Group plc		82,250	0.34
<i>SOFTWARE & COMPUTER SERVICES</i>				
350,000	Anite Group plc		449,750	1.83
400,000	Azlan Group plc		470,000	1.92
150,000	Focus Solutions Group plc		124,500	0.51
15,000	Misys plc		74,550	0.30
332,100	Orbital Software Holdings plc		88,007	0.36
550,000	Patsystems plc		275,000	1.12
250,000	Riversoft plc		101,250	0.41
220,300	Rolfe & Nolan plc		291,898	1.19

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PORTFOLIO OF INVESTMENTS as at 30 June 2001 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED KINGDOM 22.34% (2000:28.78%) <i>continued</i>				
EQUITIES 19.41% (2000:16.66%) <i>continued</i>				
<i>SUPPORT SERVICES</i>				
25,000	PSD Group plc		141,875	0.58
710,000	Systems International Group plc	(a)	170,400	0.69
<i>TELECOMMUNICATIONS SERVICES</i>				
529,719	PNC Tele.Com plc	(a)	421,127	1.72
UNITED STATES 55.73% (2000:55.05%)				
<i>BROADCASTING AND PUBLISHING</i>				
9,000	AOL Time Warner Inc		339,164	1.39
9,258	Clear Channel Communications Inc		412,739	1.68
15,000	Comcast Corp	(a)	462,884	1.89
20,000	Getty Images Inc	(a)	373,436	1.52
20,000	Modem Media Inc	(a)	54,465	0.22
<i>BUSINESS AND PUBLIC SERVICES</i>				
57,000	Multex.Com Inc	(a)	658,596	2.68
20,000	NetScout Systems Inc	(a)	92,435	0.38
10,000	NOVA Corp		223,621	0.91
77,350	Onesource Information Service	(a)	461,988	1.88
18,000	Oracle Corp	(a)	243,174	0.99
30,000	Pinnacle Holdings Inc	(a)	128,200	0.52
66,250	Akamai Technologies Inc	(a)	432,198	1.76
30,000	Computer Horizons Corp	(a)	66,340	0.27
21,500	Inktomi Corp	(a)	146,605	0.60
20,000	Keynote Systems Inc	(a)	155,717	0.63
7,500	Microsoft Corp	(a)	389,292	1.59
<i>DATA PROCESSING AND REPRODUCTION</i>				
35,000	Advanced Digital Information Corp	(a)	430,532	1.75
35,000	Citrix Systems Inc	(a)	868,529	3.54
20,000	RSA Security Inc	(a)	440,131	1.79
50,000	Sapient Corp	(a)	346,630	1.41
9,750	Serena Software Inc	(a)	251,930	1.03
65,000	Walker Interactive Systems Inc	(a)	29,579	0.12
35,000	Wind River Systems Inc	(a)	434,514	1.77
<i>ELECTRICAL AND ELECTRONICS</i>				
10,000	American Power Conversion Corp	(a)	111,988	0.46
25,000	APW Limited		180,424	0.74
23,000	Credence Systems Corp	(a)	396,416	1.63
13,788	Flextronics International Limited	(a)	255,976	1.04
10,000	Jabil Circuit Inc		219,425	0.89
15,000	Xilinx Inc	(a)	439,846	1.79
<i>ELECTRONIC COMPONENTS AND INSTRUMENTS</i>				
21,000	Analog Devices Inc		645,798	2.63
14,000	Applied Micro Circuits Corp	(a)	171,217	0.70
22,000	EMC Corp		454,423	1.85
5,000	MIPS Technologies Inc	(a)	61,505	0.25

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2001 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES 55.73 % (2000:55.05%) <i>continued</i>				
<i>INDUSTRIAL COMPONENTS</i>				
8,000	CIENA Corp	(a)	216,155	0.88
10,000	Foundry Networks Inc	(a)	142,065	0.58
<i>MACHINERY AND ENGINEERING</i>				
40,000	Asyst Technologies Inc	(a)	383,959	1.56
10,000	TranSwitch Corp	(a)	78,214	0.32
<i>MISCELLANEOUS MATERIALS</i>				
11,500	Novellus Systems Inc	(a)	464,365	1.89
<i>SOFTWARE</i>				
5,000	BEA Systems Inc	(a)	109,178	0.44
166,500	Chordiant Software Inc	(a)	367,001	1.50
<i>TELECOMMUNICATIONS</i>				
5,000	Black Box Corp	(a)	239,477	0.98
20,500	Global Crossing Limited		125,939	0.51
28,000	Lexent Inc	(a)	172,014	0.70
40,000	MRV Communications Inc	(a)	265,927	1.08
<i>WHOLESALE INTERNATIONAL TRADE</i>				
18,000	Arrow Electronics Inc		310,879	1.27
15,000	Tech Data Corp	(a)	355,802	1.45
<i>WIRELESS TELECOMMUNICATION SERVICES</i>				
23,000	Copper Mountain Networks Inc	(a)	67,051	0.27
TOTAL INVESTMENTS			22,133,715	90.21
Current Assets (2000: 7.23%)			2,776,080	11.31
Total Assets			24,909,795	101.52
Current Liabilities (2000: 2.09%)			(374,797)	(1.52)
Net Assets			24,534,998	100.00
		2001	2000	1999
Net Asset Value		GBP24,534,998	GBP34,195,648	GBP16,372,102
Number of Shares in issue		1,875,857	1,575,733	1,274,024
Net Asset Value per Share		GBP13.08	GBP21.70	GBP12.85
Classification				
(a) Transferable Securities dealt in on another regulated market.				
(b) Transferable Securities other than those admitted to an 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				37.88
Transferable Securities as described in classification (a) above				50.20
Transferable Securities as described in classification (b) above				0.78
Other assets (cash/debtors)				11.14
				<u>100.00</u>

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2001

MAJOR PURCHASES	GBP VALUE
ARIN	593,815
Ariba Inc	553,240
Iona Technologies plc	472,759
Minorplanet Systems plc	435,182
Portal Software Inc	413,759
Multex.Com Inc	406,930
Akamai Technologies Inc	370,205
Chordiant Software Inc	351,787
PNC Tele.Com plc	323,070
Aegis Group plc	309,582
Reply SpA	300,455
Rolfe & Nolan plc	270,649
Sapient Corp	245,045
Patsystems plc	244,444
Wind River System Inc	243,354
Orbital Software Holdings plc	203,365
AIT Group plc	199,082
Citrix Systems Inc	193,411
Microsoft Corp	190,646
Plaut AG	174,790
AOL Time Warner Inc	170,843
Comcast Corp	137,300
EMC Corp	125,621
Focus Solutions Group plc	117,936
Advanced Digital Information Corp	109,235
BEA Systems Inc	106,855
Foundry Networks Inc	104,672
Riversoft plc	97,022
Lexent Inc	94,822
CIENA Corp	84,304

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:

ARC International	254,933
Innovation Group plc	224,882
Baltimore Technologies plc	114,000

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2001 *continued*

MAJOR SALES	GBP VALUE
ARIN	1,463,368
Treasury	1,026,683
RSA Security Inc	482,499
Portal Software Inc	292,470
Credence Systems Corp	290,747
Asyst Technologies Inc	283,988
True North Communications Inc	278,238
Ariba Inc	254,942
Texas Instruments Inc	170,251
Xircom Inc	155,355
Datacraft Asia Limited	139,031
SanDisk Corp	135,521
Citrix Systems Inc	123,576
Bright Station plc	109,244
Cadence Design Systems Inc	107,798
Novellus Systems Inc	98,912
Microsoft Corp	97,400
Project Telecom plc	73,500
Netia Holdings SA	68,219
Superscape plc	66,549
ANTEC Corp	61,275

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	1,056,882
ARC International	337,097
NXT plc	69,389

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

HERALD INVESTMENT FUND PLC

BALANCE SHEET as at 30 June 2001

	Note	30/06/2001 GBP	30/06/00 GBP
Portfolio of Investments	1 (e)	22,133,715	32,440,389
Net current assets			
Debtors	6	230,514	82,449
Cash and bank balances	7	<u>2,545,566</u>	<u>2,388,698</u>
		<u>2,776,080</u>	<u>2,471,147</u>
Less			
Creditors	8	<u>(374,797)</u>	<u>(715,888)</u>
Net current assets		<u>2,401,283</u>	<u>1,755,259</u>
Net assets		<u>24,534,998</u>	<u>34,195,648</u>
Shareholders' funds		<u>24,534,998</u>	<u>34,195,648</u>
Net Asset Value per Share		13.08	21.70

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 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. 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 receipt 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 period are included in net gains or losses on investments.

e) Valuation of securities

Equities - Investments in equities are valued at official closing prices at the period 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 closing market prices at the period end.

f) Foreign exchange

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

Foreign exchange gains and losses arising between transaction and settlement dates on purchases or sales of investments are included in other gains or losses.

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) Dividend policy

It is proposed that the Fund will declare and pay a dividend 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. 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.

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2001 *continued*

3. 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.

4. 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.

5. Dividends

The distributions take account of income received on the sale of shares and income deducted on the repurchase of Shares (see Note 3).

6. Debtors

	30/6/01 GBP	30/6/00 GBP
Accrued income	8,012	51,415
Sale of securities awaiting settlement	161,009	-
Capital shares receivable	47,598	-
Gain/(Loss) on forward contracts	-	1,587
Other Debtors	13,895	29,447
	<u>230,514</u>	<u>82,449</u>

7. Cash and bank balances

	30/6/01 GBP	30/6/00 GBP
Cash and bank balances	<u>2,545,566</u>	<u>2,388,698</u>

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

8. Creditors

	30/6/01 GBP	30/6/00 GBP
Purchase of securities awaiting settlement	(321,904)	(545,939)
Performance fee	-	(109,254)
Capital shares payable	(6,335)	-
Accrued expenses	(46,558)	(60,695)
	<u>(374,797)</u>	<u>(715,888)</u>

9. Exchange rate

The following GBP exchange rates as at 30 June 2001 have been used in this report:

EUR	1.6613
HKD	10.9694
JPY	175.4000
MYR	5.3441
NOK	13.1295
TWD	48.4207
US\$	1.4064

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2001 *continued*

10. Soft commission arrangements

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

11. 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 the 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.

12. Approval of interim unaudited report

The interim unaudited report was approved by the Board of Directors on 10 August 2001.

HERALD INVESTMENT FUND PLC

Other information

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