

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INTERIM UNAUDITED REPORT for the six months ended 30 June 2002

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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 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;
- * 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.

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: + 353-1-8538300

Fax: + 353-1-8538489

SUBSCRIBER SHARES

As at 30 June 2002, 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

There were no significant events during the period.

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2002

The defined remit for the Fund is to invest globally in information 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 was launched in April 1998 with an initial net asset value of GBP13.0m. At the 30 June 2002, the net asset value was GBP12.8m.

Capital performance for the 6 months to 30/6/02

Herald Worldwide Fund NAV -38.3%

US

S&P 500 -17.7%

Russell 2000 Small Cap -9.6%

NASDAQ Composite Index -28.4%

Russell 1000 Large Cap Technology -35.3%

Russell 2000 Small Cap Technology -39.0%

UK

FTSE 100 Index -10.8%

FTSE Small Cap Index -10.3%

FTSE techMARK 100 Index -41.0%

FTSE Information Technology Index -49.2%

Europe

FTSE EUROTOP 300 Index -10.0%

DAX -10.0%

Neuer Markt Index -35.9%

CAC 40 -10.7%

Nouveau Marché -29.3%

NASDAQ Europe All Share Index -40.4%

Asia Pacific

Nikkei 225 +5.2%

Hang Seng -11.2%

All returns £STG adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Market Background

The rally in global information technology, media and communications markets from their nadir in September was not sustained in 2002, as prospects diminished for a rebound in end-demand for their products and services.

It became evident that the stock market valuation bubble was built upon a technology spending frenzy that existed for much of the late 1990's through to the end of 2000. The scale of the compound growth in US production capabilities of high-tech industries in the late 1990s was unsustainable, with capacity increasing 700% from 1995 until 2001: a rate of growth unparalleled in the last 30 years. When coupled with a level of order-demand that has returned to 1995 levels, the result has been capacity utilisation collapsing from 90% at the end of 2000 to just above 60% in 2001: again an unprecedented level. Possibly a majority of the capital provided by investors during the period will never earn an economic return, and it will take time for capacity to fall and pricing to return to levels where decent returns on capital can be made.

A further negative for the stock market in general, and the new economy sectors in particular, has been the raft of negative news surrounding dubious, and in some cases potentially fraudulent, accounting practices. Although not exclusive to sectors in the Fund's remit, a high proportion of such problems have occurred here, which is almost certainly due to the pressure on management not to disappoint at the peak of the hype surrounding the sector. Some of the most shocking disclosures include companies such as Enron, Adelphi, Worldcom, Qwest, Merck, Elan, Comroad, and AIT. In many cases the accounting issues have been so severe they have led to destruction of the business.

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2002 continued

The first quarter saw optimistic data coming out of the Far East indicating that DRAM and processor prices had stabilised and in some cases risen, which helped to maintain the rally in semiconductor companies in general, and semiconductor capital equipment manufacturers in particular. The semiconductor sector has been a beneficiary of relatively resilient consumer spending on a range of devices including laptops, LCD monitors, games consoles and mobile phones. This pattern is significantly different from corporate behaviour, where cap-ex budgets continue to be reduced with a commensurately dismal impact on the earnings of IT services firms and enterprise software companies.

Semiconductor companies also benefited from a restocking of United States ("US") high tech inventories, which had fallen from a peak of nearly \$53bn in early 2001 to near \$40bn by the beginning of 2002. This phenomenon enabled the sector to hold up until mid May, but as it became clear that final demand did not come through as hoped, the sector collapsed.

The telecommunications sector continued its relative under-performance with even the most significant alternative operators succumbing to the frequently fatal combination of collapsing prices, weak operational cash flows and geared balance sheets. Notable failures and companies with particularly weak balance sheets included Worldcom, Energis, Qwest, NTL, Telewest, Mobilcom and France Telecom. The mobile operators have been generally more resilient due to lower levels of competition and cap-ex. Although the environment has been tough for the operators, the equipment manufacturers have been hit harder as capital expenditure has been repeatedly slashed, leaving massive excess capacity in spite of more than 30% layoffs at the major firms; many of the venture capital funded start-ups still face bankruptcy. The Fund has continued to maintain minimal exposure to the telecommunications sector.

Over the period, the media holdings failed to add the level of stability to the Fund that we had hoped for, with even consumer-oriented businesses having subscription-based models experiencing severe de-ratings. Also, the companies more dependent on advertising have fallen as it became apparent that the hoped-for rebound in advertising spend would not materialise before the end of this year.

The corporate takeovers that have occurred within the Fund during the period, whilst historically welcome, have been frustrating. Whilst at a significant premium to the recent share prices, these acquisitions have nevertheless been at close to the net cash on the balance sheet or even at significant discounts to net cash in some cases.

A major disappointment has been that, for technical reasons, the ARIN facility was not available for the much of the period. The instrument has now been re-structured and the facility is once again available, although was not in use at the end of the period.

Outlook

The rapid action of policy makers in lowering interest rates and increasing fiscal stimuli has maintained consumer spending in the developed economies at a reasonable level, minimising the probability of a slump in the broader economy occurring. That is not to say that the difficulties of the TMT sectors are over and there is little sign yet of accelerating end-demand in any of the Fund's sub-sectors.

Investor sentiment is clearly very low, and not just in relation to the companies within the Fund's remit: the lack of good news, together with repeated disclosures throughout the period of accounting irregularities by companies previously thought of as blue-chip has shaken the investment community. With reduced confidence in historic results, and lack of earnings visibility and revenue growth drivers, prospects for the near-term are uncertain.

On the whole, the markets appear quite oversold, with many equities and indices below their September 2001 trough, at levels not seen for several years. Valuations are mixed, but with some stocks trading at a discount to tangible book value and even to cash, and many more at close to book value, there are some good long-term value situations. Such a mixed environment should provide good opportunities for the Fund to outperform through judicious stock selection and hopefully generate absolute returns as the excess capacity is worked off and profit margins strengthen.

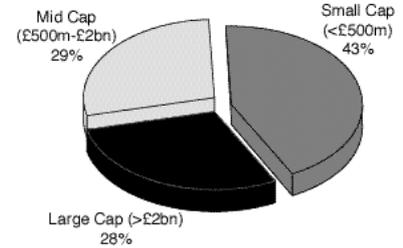
HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2002 continued

Portfolio Weightings

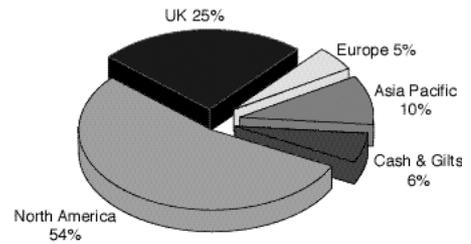
Breakdown by Market Cap 30 June 2002

	31/12/01	30/6/02	change
Large Cap	31%	28%	-3%
Mid Cap	23%	29%	+6%
Small Cap	46%	43%	-3%



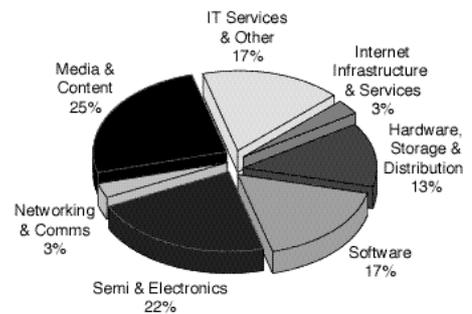
Geographic Breakdown 30 June 2002

	31/12/01	30/6/02	change
North America	51%	54%	+3%
UK	25%	25%	0%
Europe	5%	5%	0%
Asia Pacific	6%	10%	+4%
Cash & Gilts	13%	6%	-7%
ARIN	0%	0%	0%



Sector Split 30 June 2002

	31/12/01	30/6/02	change
Semiconductor & Electronics	17%	22%	+5%
Networking & Communications	3%	3%	0%
Media & Content	18%	25%	+7%
IT Services & Other	13%	17%	+4%
Internet Infrastructure & Services	3%	3%	0%
Hardware, Storage & Distribution	14%	13%	-1%
Software	32%	17%	-15%



Herald Investment Management Limited
12 July 2002

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2002

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
AUSTRIA 0.66 % (2001:0.49%)				
<i>COMMERCIAL SERVICES AND SUPPLIES</i>				
50,000	Plaut AG	(a)	84,230	0.66
CANADA 2.28 % (2001: 0.97%)				
<i>SOFTWARE</i>				
20,000	Cognos Inc	(a)	291,150	2.28
IRELAND 0.65 % (2001: 1.73%)				
<i>INTERNET SOFTWARE AND SERVICES</i>				
24,000	Iona Technologies	(a)	83,436	0.65
FRANCE NIL (2001: 0.20%)				
HONG KONG 1.19 % (2001: NIL)				
<i>MEDIA</i>				
400,000	SCMP Group Limited		152,240	1.19
ISRAEL 1.25 % (2001: NIL)				
<i>INTERNET SOFTWARE AND SERVICES</i>				
18,000	Check Point Software Technologies Limited	(a)	160,126	1.25
ITALY 2.41 % (2001: 1.21%)				
<i>IT CONSULTING AND SERVICES</i>				
35,000	Reply SpA		308,410	2.41
JAPAN 2.05 % (2001: 1.44%)				
<i>OFFICE ELECTRONICS</i>				
23,000	Ricoh Co Limited		261,225	2.05
MALAYSIA 3.08 % (2001: 1.23%)				
<i>MEDIA</i>				
370,000	Star Publications (Malaysia) Berhad		392,856	3.08
NORWAY 0.44 % (2001: 0.70%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
80,000	Nera ASA		55,812	0.44
SINGAPORE 0.61 % (2001: 0.41%)				
<i>ELECTRONIC EQUIPMENT AND INSTRUMENTS</i>				
15,000	Venture Corporation Ltd		78,537	0.61
SOUTH KOREA NIL (2001: 0.49%)				
TAIWAN 3.03 % (2001: 1.74%)				
<i>SEMICONDUCTOR EQUIPMENT AND PRODUCTS</i>				
28,704	Sunplus Technology Co. Limited – Bonus Issue		48,474	0.38
114,817	Sunplus Technology Co. Limited		193,897	1.52
30,000	United Micro Electronics		144,657	1.13

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2002 continued

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED KINGDOM 25.73 % (2001:22.34%)				
ARIN NIL (2001:0.78%)				
WARRANTS 1.67% (2001:1.42%)				
<i>INVESTMENT COMPANIES</i>				
185,000	Herald Investment Trust plc - WTS		212,750	1.67
EQUITIES 24.06% (2001: 20.14%)				
<i>ELECTRONIC AND ELECTRICAL EQUIPMENT</i>				
30,000	Acal		175,500	1.37
110,000	Minorplanet Systems plc	(a)	154,000	1.21
<i>INVESTMENT COMPANIES</i>				
60,000	Herald Investment Trust plc		128,700	1.01
<i>IT HARDWARE</i>				
200,000	Telemetrix plc		182,000	1.43
100,000	TTP Communications plc		60,000	0.47
<i>MEDIA & PHOTOGRAPHY</i>				
480,000	Aegis Group plc		430,800	3.37
30,000	Daily Mail & General Trust		188,100	1.47
150,000	Taylor Nelson Sofres plc		286,500	2.24
1,200,000	Teamtalk Media Group		69,000	0.54
<i>SOFTWARE & COMPUTER SERVICES</i>				
95,000	AIT Group plc		30,875	0.24
425,000	Azlan Group plc		601,375	4.71
375,000	Focus Solutions Group plc		200,625	1.57
200,000	The Innovation Group plc		178,000	1.39
32,000	Misys plc		77,440	0.61
550,000	Patsystems plc		46,750	0.37
250,000	Riversoft plc		42,813	0.34
270,300	Rolfe & Nolan plc		181,101	1.42
<i>TELECOMMUNICATIONS SERVICES</i>				
400,000	PNC Telecom plc	(a)	38,000	0.30
UNITED STATES 52.32 % (2001: 55.73%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
10,000	Foundry Networks Inc	(a)	46,120	0.36
40,000	MRV Communications Inc	(a)	40,150	0.31
<i>COMPUTERS AND PERIPHERALS</i>				
60,000	Advanced Digital Information Corp	(a)	331,824	2.60
22,000	EMC Corporation		108,968	0.85
<i>DIVERSIFIED TELECOMMUNICATION SERVICES</i>				
28,000	Lexent Inc	(a)	41,330	0.32

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2002 continued

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES 52.32 % (2001: 55.73%) continued				
<i>ELECTRONIC EQUIPMENT AND INSTRUMENTS</i>				
8,500	Arrow Electronics Inc		115,709	0.91
10,000	Black Box Corp	(a)	267,205	2.09
20,000	Flextronics International Limited	(a)	93,551	0.73
10,000	Jabil Circuit Inc		138,490	1.08
<i>INTERNET SOFTWARE AND SERVICES</i>				
102,000	Akamai Technologies Inc	(a)	86,991	0.68
20,000	Keynote Systems Inc	(a)	96,044	0.75
87,000	Multex.Com Inc	(a)	232,868	1.82
77,350	Onesource Information Service	(a)	339,989	2.66
23,000	Verisign Inc	(a)	108,489	0.85
<i>IT CONSULTING AND SERVICES</i>				
12,000	Electronic Data Systems Corp		292,462	2.29
8,000	Manhattan Associates Inc	(a)	168,786	1.32
50,000	Sapient Corp	(a)	34,770	0.27
<i>MEDIA</i>				
25,000	AOL Time Warner Inc		241,258	1.89
21,000	Comcast Corp	(a)	328,439	2.57
10,000	Getty Images Inc	(a)	142,820	1.12
15,000	Viacom Inc		436,627	3.42
<i>SEMICONDUCTOR EQUIPMENT AND PRODUCTS</i>				
17,500	Analog Devices Inc		340,976	2.67
32,500	Asyst Technologies Inc	(a)	433,888	3.40
18,000	Credence Systems Corp	(a)	209,841	1.64
12,000	Xilinx Inc	(a)	176,579	1.38
<i>SOFTWARE</i>				
10,000	Bea Systems Inc	(a)	62,389	0.49
180,000	Chordiant Software Inc	(a)	230,270	1.80
20,000	Citrix Systems Inc	(a)	79,249	0.62
12,000	Manugistics Group Inc	(a)	48,101	0.38
10,500	Microsoft Corp	(a)	376,796	2.95
20,000	NetScout Systems Inc	(a)	89,484	0.70
60,000	Numerical Technologies Inc	(a)	157,253	1.24
10,000	Oracle Corp	(a)	62,127	0.49
30,000	RSA Security Inc	(a)	94,666	0.74
9,750	Serena Software Inc	(a)	87,613	0.69
21,750	THQ Inc	(a)	425,497	3.34
35,000	Wind River System Inc	(a)	115,034	0.90
TOTAL INVESTMENTS			12,222,032	95.70

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2002 continued

	VALUE GBP	FUND%
Total Investments	12,222,032	95.70
Current Assets (2001: 11.31%)	606,374	4.75
Total Assets	12,828,406	100.45
Current Liabilities (2001: 1.52%)	(56,579)	(0.45)
Net Assets	12,771,827	100.00

	2002	2001	2000
Net Asset Value	GBP12,771,827	GBP24,534,998	GBP34,195,648
Number of Shares in issue	1,761,141	1,875,857	1,575,733
Net Asset Value per Share	GBP7.25	GBP13.08	GBP21.70

Classification

(a) Transferable securities 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	49.91
Transferable securities as described in classification (a) above	45.36
Other assets (cash/debtors)	4.73
	<u>100.00</u>

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2002

MAJOR PURCHASES	GBP VALUE
United Micro Electronics	522,186
British Sky Broadcasting Group	346,780
Innovation Group plc	306,912
Numerical Technologies Inc	281,581
Univer Access Global Com	276,300
Genesis Microchip Inc	244,776
Verisign Inc	232,891
Check Point Software Technologies Limited	202,678
Electronic Data Systems Corp	175,148
THQ Inc	168,273
Manhattan Associates Inc	167,047
AOL Time Warner Inc	137,792
Citrix Systems Inc	104,641
IQE plc	103,334
Misys plc	101,286
Aegis Group plc	92,989
Manugistics Group Inc	91,147
Advanced Digital Information Corp	84,140
Viacom Inc	82,597
Chordiant Software Inc	67,992
Azlan Group plc	53,223
AIT Group plc	51,660

MAJOR SALES	GBP VALUE
Anite Group plc	419,726
United Micro Electronics	347,723
British Sky Broadcasting Group	324,523
Clear Channel Communications Inc	313,848
Citrix Systems Inc	309,525
Acal	267,392
I-Cable Communications	256,234
Bea Systems Inc	216,305
Azlan Group plc	207,747
Getty Images Inc	196,496
Northamber	179,957
Genesis Microchip Inc	139,238
TTP Communications plc	129,660
Arrow Electronics Inc	125,038
Chordiant Software Inc	98,144
Minorplanet Systems plc	95,193
Oracle Corp	94,647
Asyst Technologies Inc	92,714
IQE plc	92,125
PSD Group	85,991
Computer Horizons Corp Inc	81,077
Univer Access Global Com	72,798
Credence Systems Corp	70,455
Modem Media Inc	43,013

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 2002

	Note	30/6/02 GBP	30/6/01 GBP
Portfolio of Investments	1 (e)	12,222,032	22,133,715
Net current assets			
Debtors	6	20,144	230,514
Cash and bank balances	7	<u>586,230</u>	<u>2,545,566</u>
		<u>606,374</u>	<u>2,776,080</u>
Less			
Creditors	8	<u>(56,579)</u>	<u>(374,797)</u>
Net current assets		<u>549,795</u>	<u>2,401,283</u>
Net assets		<u>12,771,827</u>	<u>24,534,998</u>
Shareholders' funds		<u>12,771,827</u>	<u>24,534,998</u>
Net Asset Value per Share		7.25	13.08

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2002

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 2001. 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. Franked investment income (which comprises most of UK source dividend income) is shown net of the notional tax credit.

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 in the Statement of Total Return.

e) Valuation of securities

Investments in equities are valued at official closing 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 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 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 2002 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

	30/6/02	30/6/01
	GBP	GBP
Accrued income	7,845	8,012
Sale of securities awaiting settlement	-	161,009
Capital shares receivable	-	47,598
Other debtors	12,299	13,895
	<u>20,144</u>	<u>230,514</u>

7. Cash and bank balances

	30/6/02	30/6/01
	GBP	GBP
Cash and bank balances	<u>586,230</u>	<u>2,545,566</u>

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

8. Creditors

	30/6/02	30/6/01
	GBP	GBP
Purchase of securities awaiting settlement	-	(321,904)
Capital shares payable	(13,980)	(6,335)
Accrued expenses	(42,599)	(46,558)
	<u>(56,579)</u>	<u>(374,797)</u>

9. Exchange rate

The following GBP exchange rates as at 30 June 2002 have been used in this report:

EUR	1.5434
HKD	11.8891
JPY	182.6966
MYR	5.7922
NOK	11.4384
SGD	2.6930
TWD	50.9252
US\$	1.5243

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2002 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 for issuance by the Board of Directors on 31 July 2002.

HERALD INVESTMENT FUND PLC

Other information

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