

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INTERIM UNAUDITED REPORT for the six months ended 30 June 2004

General Information	2
Investment Manager's Report.....	4
Portfolio of Investments.....	7
Portfolio Changes	10
Balance Sheet	11
Notes to the Interim Unaudited Report.....	12
Other Information	15

HERALD INVESTMENT FUND PLC

GENERAL INFORMATION

The following information is derived from the Prospectus, dated 13 November 2003.

Herald Investment Fund plc ("HIF") 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. HIF is organised in the form of an umbrella fund under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended) ("UCITS Regulations, 2003 (as amended)").

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 Irish Financial Services Regulatory Authority (the "Authority"). HIF has obtained approval from the Authority 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 security markets. In particular, the Fund may be exposed to risks of expropriation, nationalisation 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 Company 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 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:

State Street Fund Services (Ireland) Limited
Guild House, Guild Street
International Financial Services Centre
Dublin 1
Ireland

Tel: + 353-1-8538300
Fax: + 353-1-8538557

DIVIDENDS

The Fund will declare a distribution 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 YEAR

There have been no significant events during the period.

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2004

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 30 June 2004, the net asset value was GBP11.76m .

Capital performance for the 6 months to 30 June 2004

Herald Worldwide Fund NAV	+4.6%
US	
Russell 1000 Large Cap Technology	-2.5%
Russell 2000 Small Cap Technology	-7.3%
NASDAQ Composite	+0.9%
S&P 500	+1.3%
Russell 2000 Small Cap	+4.8%
UK	
FTSE techMARK 100	+15.3%
FTSE Information Technology	-5.2%
FTSE 100	-0.3%
FTSE Small Cap	+4.4%
Europe	
Neuer Market	+1.5%
Nouveau Marché	-4.1%
FTSE EUROTOP 300	-0.8%
DAX	-2.7%
CAC 40	-0.1%
Asia Pacific	
JASDAQ	+46.0%
Nikkei 225	+7.4%
Hang Seng	-4.0%

All returns £STG adjusted.

Source: Herald Investment Management Limited, Bloomberg.

The first half of 2004 has generally been a period of strong underlying trading in the investee companies within the portfolio, particularly compared to the dull trading period ahead of the Gulf war last April. In contrast share prices have been consolidating after the strong performance last year, while sentiment became cautious about the sustainability of growth rates going forward.

Performance by geography

US	-2.0%
UK	+14.1%
Europe	-2.8%
Asia	+4.7%

The US has been flat in local currency terms in spite of the earnings per share "eps" growth of the stocks held rising over the last two quarters by 40% on average. This performance is a little better than R1Tech (-2.5%), but usefully better than the small stock index which was down 7.3%. Apple has been a useful addition to the portfolio reflecting the success of its i-pod. In contrast the storage stocks EMC, ADIC and McData have been disappointing. In the UK, Techmark has been robust reflecting

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2004 *continued*

strong performance of pharmaceutical and bio-technology stocks. The FTSE-IT index is down 5.2%. Amstrad, which had become the largest holding in the portfolio at the start of the year has risen a further 60% in the first half, and Thomson Intermedia has risen 69%. These stocks provided much of the 14.1% return on the portfolio. The portfolio currently has a minimal exposure to Europe, while the Asian performance benefited from a solid performance by the largest holding Star whose eps rose 63% in the first half, and a strong performance by Singapore listed Hi-P which manufactures under contract in China.

Market Background

Trading has benefited from useful economic growth in the first half particularly in the US. Of greater importance has been the shift to focussing on profitability and not market share and land grab which became the culture in the millennium bubble. Furthermore utilisation rates of volume sensitive areas such as semiconductors and contract manufacturing has led to a more robust pricing environment. The consumer has remained robust and the industry driving sectors of PCs and mobile telephones have shown good volume growth. IDC report PC volume growth of c15%, which is the fifth consecutive quarter of double digit growth. Sony Ericsson, for example, has revised its estimate of the volume of handsets to be sold globally in 2004 from over 550m to 600m. Security is an area of robust spend for corporates, but overall corporate capital expenditure growth is limited with dull performances anticipated from enterprise applications. The growing adoption of broadband is beginning to feed through to some recovery in capital expenditure by telecommunication companies, while strong growth in internet usage is feeding through to strong on-line advertising growth, and the emergence of viable internet businesses. Currently the internet is a network of PCs. In due course there will be more devices than PCs networked, as a new wave of applications emerges.

Outlook

In an environment of low interest rates and low inflation, and above trend economic growth, valuations seem sound. Markets have declined so far in the second half but nevertheless in the absence of any adverse economic shocks, the outlook is promising.

HERALD INVESTMENT FUND PLC

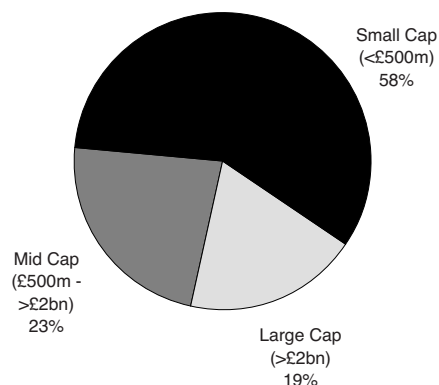
INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2004 *continued*

Portfolio Weightings

Breakdown by Market Cap as at 30 JUNE 2004

	30/06/03	30/06/04
Large Cap	25%	19%
Mid Cap	20%	23%
Small Cap	55%	58%

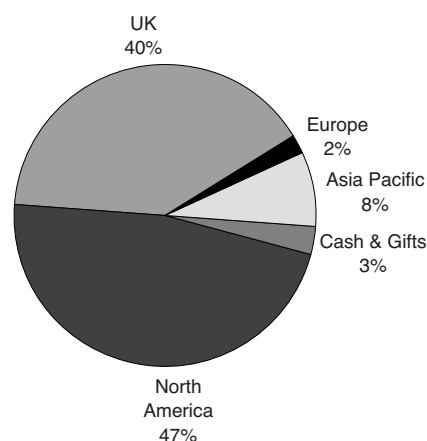
Source: Herald Investment Management Limited.



Geographic Breakdown as at 30 JUNE 2004

	30/06/03	30/06/04
North America	49%	47%
UK	36%	40%
Europe	1%	2%
Asia Pacific	7%	8%
Cash & Gilts	7%	3%
ARIN	0%	0%

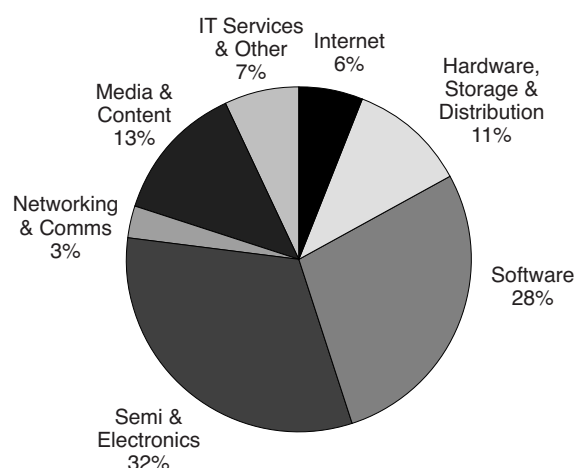
Source: Herald Investment Management Limited.



Sector Split as at 30 JUNE 2004

	30/06/03	30/06/04
Semiconductor & Electronics	20%	32%
Networking & Communications	6%	3%
Media & Content	21%	13%
IT Services & Other	9%	7%
Internet Infrastructure & Services	3%	6%
Hardware, Storage & Distribution	11%	11%
Software	30%	28%

Source: Herald Investment Management Limited.



HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30th June 2004

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
AUSTRIA 0.37% (2003: 0.36%)				
<i>COMMERCIAL SERVICES AND SUPPLIES</i>				
50,000	Plaut AG	(a)	43,943	0.37
CANADA 3.39% (2003: 2.69%)				
<i>SOFTWARE</i>				
20,000	Cognos Inc	(a)	398,787	3.39
CAYMAN ISLANDS 1.30% (2003: NIL)				
<i>ELECTRONIC EQUIPMENT AND INSTRUMENTS</i>				
160,000	Kingboard Chemical		153,270	1.30
HONG KONG NIL (2003: 0.94%)				
IRELAND 1.03% (2003: 0.26%)				
<i>INTERNET SOFTWARE AND SERVICES</i>				
54,000	Iona Technologies plc	(a)	121,489	1.03
MALAYSIA 2.97% (2003: 3.01%)				
<i>MEDIA</i>				
370,000	Star Publications (Malaysia) Berhad		348,991	2.97
NORWAY 0.93% (2003: 0.56%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
80,000	Nera ASA		109,465	0.93
SINGAPORE 2.67% (2003: 1.46%)				
<i>RUBBER/PLASTIC PRODUCTS</i>				
700,000	Hi-P International		313,734	2.67
TAIWAN 1.39% (2003: 1.59%)				
<i>SEMICONDUCTOR EQUIPMENT AND PRODUCTS</i>				
111,600	Realtek Semiconductor Corp		77,380	0.66
35,883	United Micro Electronics Corp		85,280	0.73
UNITED KINGDOM 39.68% (2003: 36.14%)				
<i>COMMERCIAL SERVICES AND SUPPLIES</i>				
800,000	Thomson Intermedia		452,000	3.84
<i>COMMUNICATIONS EQUIPMENT</i>				
400,000	Amstrad plc		870,000	7.40
<i>COMPUTERS AND PERIPHERALS</i>				
250,000	Clinical Computing plc		62,500	0.53
630,000	Imagination Technologies Group		557,550	4.74
200,000	Plasmon plc		419,000	3.56
<i>INVESTMENT COMPANIES</i>				
145,000	Herald Investment Trust plc		457,837	3.89
<i>IT CONSULTING AND SERVICES</i>				
630,000	Alphameric plc		535,500	4.55
<i>MEDIA AND PHOTOGRAPHY</i>				
380,000	Aegis Group plc		341,050	2.90
<i>SOFTWARE AND COMPUTER SERVICES</i>				
375,000	Focus Solutions Group plc		172,500	1.47
180,000	Gresham Computing plc		622,800	5.30
32,000	Misys plc		63,360	0.54
550,000	Patsystems plc		112,750	0.96

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30th June 2004 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES 43.48% (2003: 46.17%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
10,000	Advanced Fibre Communications Inc	(a)	111,387	0.95
30,000	Mcdata Corp	(a)	88,999	0.76
90,000	MRV Communications Inc	(a)	135,980	1.16
<i>COMPUTERS AND PERIPHERALS</i>				
60,000	Advanced Digital Information Corp	(a)	320,926	2.73
20,000	Apple Computer Inc	(a)	358,864	3.05
22,000	EMC Corp		138,296	1.18
90,000	Simpletech Inc	(a)	169,231	1.44
<i>ELECTRONIC EQUIPMENT AND INSTRUMENTS</i>				
8,500	Arrow Electronics Inc		125,707	1.07
10,000	Jabil Circuit Inc		138,848	1.18
<i>INTERNET SOFTWARE AND SERVICES</i>				
38,000	Verisign Inc	(a)	416,984	3.55
<i>IT CONSULTING AND SERVICES</i>				
8,000	Manhattan Associates Inc	(a)	136,223	1.16
<i>MEDIA</i>				
10,000	Getty Images Inc	(a)	330,852	2.81
20,000	Macrovision Corp	(a)	276,041	2.35
<i>SEMICONDUCTOR EQUIPMENT AND PRODUCTS</i>				
18,800	Analog Devices Inc		488,064	4.15
32,500	Asyst Technologies Inc	(a)	185,305	1.58
18,000	Credence Systems Corp	(a)	136,973	1.16
12,000	Xilinx Inc	(a)	220,413	1.87
<i>SOFTWARE</i>				
20,000	Citrix Systems Inc	(a)	224,538	1.91
21,000	Microsoft Corp	(a)	330,720	2.81
25,000	RSA Security Inc	(a)	282,189	2.40
15,000	Serena Software Inc	(a)	157,899	1.34
26,750	THQ Inc	(a)	337,786	2.87
Total Investments			11,431,411	97.21
Current assets			370,701	3.15
Total assets			11,802,112	100.36
Current liabilities			(42,240)	(0.36)
Net assets			11,759,872	100.00

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30th June 2004 *continued*

	30 June 2004	31 December 2003	30 June 2003	31 December 2002	30 June 2002
Net Asset Value	GBP 11,759,872	GBP14,754,559	GBP12,154,031	GBP9,665,089	GBP12,771,827
Number of Shares in issue	1,187,651	1,559,098	1,594,069	1,665,335	1,761,141
Net Asset Value per Share	GBP9.90	GBP9.46	GBP7.62	GBP5.80	GBP7.25

Classification

(a) Transferable securities dealt in on another regulated market.

All other securities are transferable securities admitted to an official stock exchange listing.

Analysis of Total Assets

	% of Total Assets
Transferable securities admitted to an official stock exchange listing	56.31
Transferable securities as described in classification (a) above	40.55
Current assets	3.14
	<hr/>
	100.00
	<hr/> <hr/>

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2004

MAJOR PURCHASES	GBP VALUE
Imagination Technologies Group	514,997
Simpletech Inc	290,852
Hi-P International	262,387
Mcdata Corporation	150,750
Kingboard Chemical	134,082

MAJOR SALES	GBP VALUE
Amstrad plc	552,833
Colt Telecom Group plc	537,423
The Innovation Group plc	351,399
Comcast Corp	324,003
M-Systems Flash Disk Pioneers Limited	314,550
Taylor Nelson Sofres plc	306,577
Viacom Inc	302,942
Herald Investment Trust plc	302,687
Black Box Corp	284,936
Chordiant Software Inc	270,358
Venture Corporation Limited	216,794
Acal plc	162,260
Onesource Information Service Inc	157,466
SmarTone Telecommunications Holding Limited	119,646
Asia Satellite Telecommunications Holdings Limited	118,557
NetScout Systems Inc	81,973

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

HERALD INVESTMENT FUND PLC

BALANCE SHEET as at 30 June 2004

	Note	30/06/04 GBP	31/12/03 GBP	30/06/03 GBP
Portfolio of investments	1(e)	11,431,411	13,839,122	11,325,505
Net current assets				
Debtors	6	214,354	56,733	11,018
Cash and bank balances	7	156,347	910,661	871,653
		<u>370,701</u>	<u>967,394</u>	<u>882,671</u>
Less				
Creditors	8	<u>(42,240)</u>	<u>(51,957)</u>	<u>(54,145)</u>
Net current assets		<u>328,461</u>	<u>915,437</u>	<u>828,526</u>
Net assets		<u>11,759,872</u>	<u>14,754,559</u>	<u>12,154,031</u>
Shareholders' funds		<u>11,759,872</u>	<u>14,754,559</u>	<u>12,154,031</u>
Net Asset Value per Share		9.90	9.46	7.62

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2004 *continued*

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 (2003) (as amended) and except for the treatment of taking to the Profit and Loss Account (Statement of Total Return) unrealised losses arising on the valuation of transferable 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 Company. Bank deposit interest 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**

Equities - Investments in equities are valued at last quoted trade 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/(losses) on investments in the statement of total return.

g) **Distribution policy**

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

2. **Taxation**

The Fund qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997 (as amended). It is not chargeable to Irish tax on its income and gains.

However, Irish tax may arise on the happening of a chargeable event in the Fund. A chargeable event includes any distribution payments to Shareholders or any encashment, redemption, transfer or cancellation of shares. No Irish tax will arise on the Fund in respect of chargeable events in respect of: -

- (i) a Shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997 (as amended), are held by the Fund, and
- (ii) certain exempted Irish resident shareholders who have provided the Fund with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments by the Fund may be subject to non-recoverable withholding tax imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Fund or its Shareholders.

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2004 *continued*

3. Equalisation

Income equalisation arrangements are applied in the case of Shares in the Company. 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

	30/06/04 GBP	31/12/03 GBP	30/06/03 GBP
Sale of securities awaiting settlement	214,354	54,085	—
Accrued income	—	2,648	5,507
Other debtors	—	—	5,511
	214,354	56,733	11,018
	214,354	56,733	11,018

7. Cash and bank balances

	30/06/04 GBP	31/12/03 GBP	30/06/03 GBP
Cash and bank balances	156,347	910,661	871,653
	156,347	910,661	871,653
	156,347	910,661	871,653

All cash and bank balances are held by State Street Bank and Trust Company, London.

8. Creditors

	30/06/04 GBP	31/12/03 GBP	30/06/03 GBP
Capital shares payable	—	(7,689)	(22,552)
Accrued expenses	(42,240)	(44,268)	(31,593)
	(42,240)	(51,957)	(54,145)
	(42,240)	(51,957)	(54,145)

9. Exchange rates

The following GBP exchange rates as at 30 June 2004 have been used in this report :

EUR	1.4906
HKD	14.1449
MYR	6.8913
NOK	12.5703
SGD	3.1237
TWD	61.0061
US\$	1.8135

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2004 *continued*

10. Soft commission arrangements

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

11. Subscriber Shares

As at 30 June 2004, the Company 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 Company. They are thus described in the interim unaudited report by way of this note only.

12. Approval of interim unaudited report

The interim unaudited report was approved for issuance by the Board of Directors on 11 August 2004.

HERALD INVESTMENT FUND PLC

Other Information

INVESTMENT MANAGER

Herald Investment Management Limited
12 Charterhouse Square
London EC1M 6AX
England
www.heralduk.com

ADMINISTRATOR AND REGISTRAR

State Street Fund Services (Ireland) Limited
Guild House, Guild Street
International Financial Services Centre
Dublin 1
Ireland

CUSTODIAN

State Street Custodial Services (Ireland) Limited
Guild House, Guild Street
International Financial Services Centre
Dublin 1
Ireland

INDEPENDENT AUDITORS

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

COMPANY SECRETARY

State Street Fund Services (Ireland) Limited
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DIRECTORS

Alan Jeffers, Chairman (Irish)
William Backhouse LVO (British)
David Boyle DL (British)
Adrian Waters (Irish)

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