

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INTERIM UNAUDITED REPORT for the six months ended 30 June 2005

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	14

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 2005

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 presents 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 the period, the net asset value was GBP9.8m.

Capital performance for the 6 months to 30/06/05

Herald Worldwide Fund NAV -6.4%

US

Russell 1000 Large Cap Technology -3.1%
Russell 2000 Small Cap Technology -5.6%
NASDAQ Composite +1.1%
S&P 500 +5.1%
Russell 2000 Small Cap +4.9%

UK

FTSE techMARK 100 +0.2%
FTSE Information Technology -3.1%
FTSE 100 +6.2%
FTSE Small Cap +5.9%

Europe

Neuer Markt +1.6%
Nouveau Marché +12.3%
FTSE EUROTOP 300 +4.6%
DAX +2.9%
CAC 40 +5.7%

Asia Pacific

JASDAQ +7.9%
Nikkei 225 -0.4%
Hang Seng +6.6%

All returns £STG adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Introduction

Overall the assets/share declined 6.4% in the first half of 2006. The year started satisfactorily with a sparkling start to the year from Apple in the US and Thomson Intermedia in the UK. These stocks contributed to a 2.6% rise in January. The fund then drifted in February and March in spite of a generally robust reporting season. April was a bad month with the UK portfolio declining 15.1% and the US portfolio declining 10.9% in \$ terms. This compared with the Russell 1000 Tech index falling 4.1% and the smaller companies index R2tech falling 9.2% (in \$). The declines were broadly spread over a number of stocks. May saw a 6.3% rebound in the US portfolio, while the UK portfolio remained flat. In June the US indices were flat but the UK portfolio rallied nearly 5%. It is pleasing that July has proved the reverse of April, with the US portfolios rallying 11.5% in \$ terms versus the relevant indices rising between 6.2% and 7.3%, while the UK rallied a more modest 3.3%. While the April decline was broadly based so was the July rally, but encouragingly the latter reflected a generally strong reporting season.

The p/e of the overall portfolio is 25.1x on expected 2005 earnings. This assumes earnings growth of 44.8% in 2005. This sounds high but compares to earnings growth of 68.9% achieved in 2004. Stripping out the companies, which were unprofitable in 2003 reduces the growth to 17.1% in 2004 and 19.7%, based on consensus forecasts in 2005. (Consensus forecasts are sourced from JCF)

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2005 *continued*

US

The US portfolio has declined 3.9% in £/share in the first half, but by nearly 10% in \$ terms. This was marginally ahead of the Russell 1000 index which declined 3.1% in £, and the smaller index declined more- down 5.6%. By the end of July it was almost break-even in \$ terms, but usefully up in £. Stock market returns have continued to be disappointing in spite of a strong trading environment because both the oil price and interest rates have been rising leading to concerns about the sustainability of growth in the future. It is noticeable that this year large companies have continued to outperform small companies. Apple was the strongest contributor in the portfolio followed by THQ, but the gains on these were more than offset by losses elsewhere. In particular RSA, Cognos and Foundry drifted significantly.

The p/e of the US portfolio is 29.3x for 2005. This assumes overall earnings growth of 24% in the portfolio (based on consensus forecast) in 2005, which sounds high, but growth was even higher in 2004 at 196%. Stripping out companies which were loss making in 2003 earnings growth was 26.9% in 2004, and is expected to be 22.6% in 2005, and flat in companies that have only just become profitable.

Economic growth is conspicuously strong, currently at 3.4% annualised, versus Europe. This is generally providing a strong trading background, albeit the companies, which do not have pricing power have suffered. In particular the storage sector has proved an area where product differentiation is difficult.

UK

The UK portfolio performance was poor, declining 9.8%.

Although Thomson Intermedia continued to perform, Gresham Computing proved particularly expensive declining 60%. This portfolio is very stock specific, and we remain optimistic that there are good opportunities for strong growth, albeit selectively.

There are few companies in the UK, which match the quality of so many companies in the US. On the other hand UK investors, having briefly plunged into the sector in the millennium bubble with enthusiasm, have retreated en masse. Valuations are sceptical about future growth prospects, providing attractive opportunities.

Europe and Far East

The European portfolio was down significantly but is a very small proportion of the fund, while the Far East portfolio is also small but grew c12%. Star has benefited from speculation of a revaluation of the Malaysian Ringgit, confirmed in July post the revaluation of the Chinese Yuan. UMC has rebounded from trough valuations as the semiconductor cycle turns and utilisation picks up at the world's second largest wafer foundry after bottoming in Q2 05. The Far East saw a tech rally in Q2 05 despite a less than stellar earnings season in Q1 05 as pricing pressure worked its way down the supply chain. This was more in hope than as the result of real investor confidence in the tech sector and toppy valuations and more recently the Yuan revaluation has led to some profit-taking. The latter has had a two-pronged negative effect on the tech sector as US\$ sales and Yuan costs will hit many tech companies with Chinese manufacturing bases while many investors have switched into sectors that will benefit directly from the revaluation.

Market Background

The year has seen the internet emerging as a huge consumer market, not just a concept, and traditional media coming under conspicuous pressure. By the end of 2004 the penetration of broadband in European households was c20%, and this is expected to rise to 46% by 2009. Mobile telephone volume growth expectations have edged up. IDC estimated 16.3% volume growth in Q2. This reflects strong growth in entry-level telephones in emerging markets and smarter phones in developing markets. Volume growth in PCs in the EMEA region has been a healthy 23% in Q2, and worldwide growth has been 16.6% (source: IDC) albeit price declines have squeezed vendors. The volume strength in these sectors is important, huge markets are ensuring a healthy utilisation of semiconductor capacity, underpinning that part of Herald's sector. Furthermore, reports such as that from Forrester are suggesting steady growth over the next few years for corporate and government IT spend. At c6% p.a. it will be only marginally faster than the economy as a whole, but a considerable improvement versus the dull period post the millennium/internet roll-out boom. The consumer has conspicuously slowed in the UK, but the UK is not an important market in global terms. With GDP growth in excess of 9% in China, and the US consumer still buoyed by rising house prices, demand is growing in volume terms.

Outlook

The fashion has been to chase income with investors seeking dividend yields, so there has been considerable relative valuation compression between growth stocks and the rest of the market. This seems to be providing an exciting buying opportunity, and look forward to the second half with confidence.

HERALD INVESTMENT FUND PLC

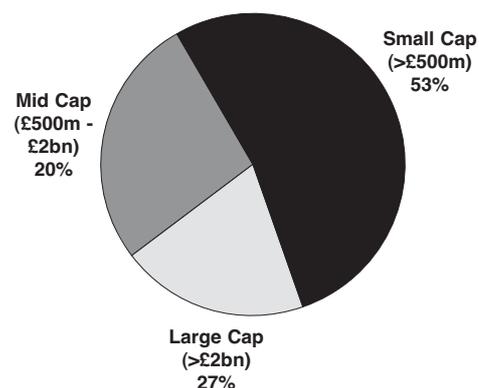
INVESTMENT MANAGER'S REPORT for the six months ended 30 June 2005 *continued*

Portfolio Weightings

Breakdown by Market Cap as at 30 June 2005

	30/06/04	30/06/05
Large Cap	19%	27%
Mid Cap	23%	20%
Small Cap	58%	53%

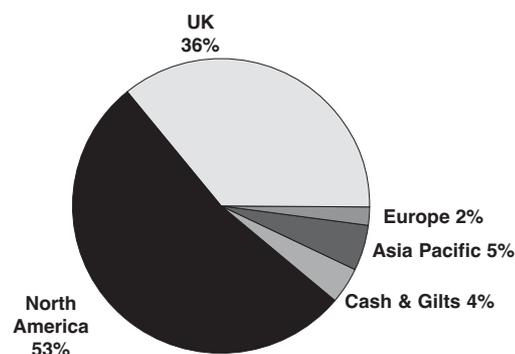
Source: Herald Investment Management Limited.



Geographic Breakdown as at 30 June 2005

	30/06/04	30/06/05
North America	47%	53%
UK	40%	36%
Europe	2%	2%
Asia Pacific	8%	5%
Cash & Gilts	3%	4%
ARIN	0%	0%

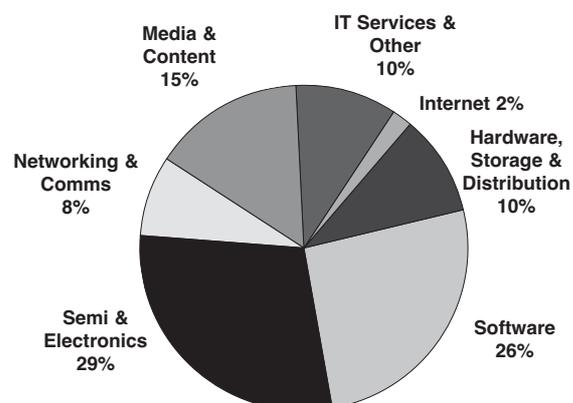
Source: Herald Investment Management Limited.



Sector Split as at 30 June 2005

	30/06/04	30/06/05
Semiconductor & Electronics	31%	29%
Networking & Communications	3%	8%
Media & Content	13%	15%
IT Services & Other	7%	10%
Internet Infrastructure & Services	6%	2%
Hardware, Storage & Distribution	11%	10%
Software	28%	26%

Source: Herald Investment Management Limited.



HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30th June 2005

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
AUSTRIA 0.14% (2004 - 0.37%)				
<i>COMMERCIAL SERVICES AND SUPPLIES</i>				
50,000	Plaut AG	(a)	13,508	0.14
CANADA 3.87% (2004 - 3.39%)				
<i>SOFTWARE</i>				
20,000	Cognos Inc	(a)	380,931	3.87
CAYMAN ISLANDS Nil (2004 - 1.30%)				
IRELAND Nil (2004 -1.03%)				
MALAYSIA 3.84% (2004 - 2.97%)				
<i>MEDIA</i>				
370,000	Star Publications (Malaysia) Berhad		377,534	3.84
NORWAY 0.94% (2004 - 0.93%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
80,000	Nera ASA		92,161	0.94
SINGAPORE Nil (2004 - 2.67%)				
TAIWAN 0.90% (2004 - 1.39%)				
<i>SEMICONDUCTOR EQUIPMENT AND PRODUCTS</i>				
38,517	United Micro Electronics Corp		88,318	0.90
UNITED KINGDOM 36.56% (2004 - 39.68%)				
<i>COMMERCIAL SERVICES AND SUPPLIES</i>				
350,000	Thomson Intermedia		687,750	6.99
<i>COMMUNICATIONS EQUIPMENT</i>				
400,000	Amstrad Plc		560,000	5.69
<i>COMPUTERS AND PERIPHERALS</i>				
630,000	Imagination Technologies Group		368,550	3.74
100,000	Plasmon Plc		129,500	1.31
<i>DIVERSIFIED FINANCIALS</i>				
145,000	Herald Investment Trust Plc		464,725	4.72
<i>INTERNET SOFTWARE AND SUPPLIES</i>				
54,000	Iona Technologies Plc	(a)	91,885	0.93
<i>IT CONSULTING AND SERVICES</i>				
630,000	Alphameric Plc		538,650	5.47
<i>MEDIA</i>				
380,000	Aegis Group Plc		378,100	3.84
<i>SOFTWARE</i>				
375,000	Focus Solutions Group Plc		110,625	1.12
180,000	Gresham Computing Plc		194,400	1.98
32,000	Misys Plc		76,160	0.77

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30th June 2005 *continued*

NOMINAL	SECURITY	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES 49.04% (2004 - 43.48%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
43,000	Foundry Networks Inc	(a)	207,030	2.10
30,000	McDATA Corp	(a)	66,947	0.68
90,000	MRV Communications Inc	(a)	108,957	1.11
11,000	Qualcomm Inc	(a)	202,578	2.06
<i>COMPUTERS AND PERIPHERALS</i>				
60,000	Advanced Digital Information Corp	(a)	254,400	2.58
27,500	Apple Computer Inc	(a)	564,744	5.74
22,000	EMC Corp		168,273	1.71
10,000	Sandisk Corp	(a)	132,389	1.35
90,000	Simpletech Inc	(a)	192,307	1.95
<i>ELECTRONIC EQUIPMENT AND INSTRUMENTS</i>				
8,500	Arrow Electronics Inc		128,796	1.31
10,000	Jabil Circuit Inc		171,441	1.74
<i>IT CONSULTING AND SERVICES</i>				
8,000	Manhattan Associates Inc	(a)	85,737	0.87
<i>MEDIA</i>				
20,000	Macrovision Corporation	(a)	251,500	2.56
<i>SEMICONDUCTOR EQUIPMENT AND PRODUCTS</i>				
18,800	Analog Devices Inc		391,324	3.98
32,500	Asyst Technologies Inc	(a)	80,867	0.82
50,000	MIPS Technologies Inc	(a)	200,843	2.04
10,000	Texas Instruments Inc		156,601	1.59
12,000	Xilinx Inc	(a)	170,716	1.73
<i>SOFTWARE</i>				
20,000	Citrix Systems Inc	(a)	241,681	2.45
21,000	Microsoft Corp	(a)	291,021	2.96
25,000	RSA Security Inc	(a)	160,116	1.63
15,000	Serena Software Inc	(a)	161,511	1.64
26,750	THQ Inc	(a)	436,817	4.44
TOTAL INVESTMENTS			9,379,393	95.29
Current assets			557,601	5.67
Total assets			9,936,994	100.96
Current liabilities			(94,155)	(0.96)
NET ASSETS			9,842,839	100.00

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30th June 2005 *continued*

	30 June 2005	31 December 2004	30 June 2004	31 December 2003	30 June 2003
Net Asset Value	GBP9,842,839	GBP11,259,825	GBP11,759,872	GBP14,754,559	GBP12,154,031
Number of Shares in issue	1,020,049	1,092,418	1,187,651	1,559,098	1,594,069
Net Asset Value per Share	GBP 9.65	GBP 10.31	GBP 9.90	GBP 9.46	GBP 7.62

Classification

(a) Transferable securities dealt in 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	51.15
Transferable securities as described in classification (a) above	43.24
Current assets	5.61
	<hr/>
	100.00
	<hr/> <hr/>

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES since 1 January 2005

MAJOR PURCHASES

MIPS Technologies Inc
Texas Instruments Inc

GBP VALUE

232,599
153,207

MAJOR SALES

Verisign Inc
Thomson Intermedia
Apple Computer
Patsystems Plc

GBP VALUE

611,305
306,450
270,360
77,514

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 2005

	Note	30/06/05 GBP	31/12/04 GBP	30/06/04 GBP
Portfolio of Investments		9,379,393	10,893,461	11,431,411
Net current assets				
Debtors	5	—	1,005	214,354
Cash and bank balances	6	557,601	419,503	156,347
		<u>557,601</u>	<u>420,508</u>	<u>370,701</u>
Less				
Creditors	7	(94,155)	(54,144)	(42,240)
Net current assets		<u>463,446</u>	<u>366,364</u>	<u>328,461</u>
Net assets		<u>9,842,839</u>	<u>11,259,825</u>	<u>11,759,872</u>
Shareholders' Funds		<u>9,842,839</u>	<u>11,259,825</u>	<u>11,759,872</u>
Net Asset Value per Share		9.65	10.31	9.90

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2005

1. Significant accounting policies

a) Valuation of securities

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

b) Foreign exchange

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

c) 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.

d) Exemption to International Financial Reporting Standards

On 2nd December 2004 the ASB, the Accounting Standards Board, issued a number of new accounting standards particularly FRS 23, 25 and 26, to converge UK Generally Accepted Accounting Principles ("UK GAAP") with International Financial Reporting Standards ("IFRS") i.e. FRS 23 introduces the provisions of IAS 21, FRS 25 introduces IAS 32 and FRS 26 introduces IAS 39. As Irish Generally Accepted Accounting Principles ("Irish GAAP") follows UK GAAP these new standards are applicable to the accounts of listed entities for accounting periods beginning 1st January 2005. However due to the short period which has elapsed since the introduction of these new accounting standards and the uncertainty which surrounds the application of some of the requirements of these standards the directors have decided that these interim financial statements should be prepared using the Irish GAAP which was used in the preparation of the last annual financial statements.

2. 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.

3. 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.

4. Dividends

The distributions take account of income received on the sale of Shares and income deducted on the repurchase of Shares (see note 2).

5. Debtors

	30/06/05 GBP	31/12/04 GBP	30/06/04 GBP
Accrued income	—	1,005	—
Sale of investments awaiting settlement	—	—	214,354
	0	1,005	214,354
	0	1,005	214,354

6. Cash and bank balances

	30/06/05 GBP	31/12/04 GBP	30/06/04 GBP
Cash and bank balances	557,601	419,503	156,347
	557,601	419,503	156,347
	557,601	419,503	156,347

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

HERALD INVESTMENT FUND PLC

NOTES TO THE INTERIM UNAUDITED REPORT for the six months ended 30 June 2005 *continued*

7. Creditors

	30/06/05 GBP	31/12/04 GBP	30/06/04 GBP
Amounts payable on repurchase of Shares	(42,062)	(5,815)	—
Accrued expenses	(52,093)	(48,329)	(42,240)
	<u>(94,155)</u>	<u>(54,144)</u>	<u>(42,240)</u>

8. Exchange rates

The following GBP exchange rates were used in this report as at 30 June 2005:

EUR	1.4806
MYR	6.8113
NOK	11.7187
TWD	56.6692
USD	1.7924

9. Soft commission arrangements

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

10. Subscriber Shares

As at 30 June 2005, 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.

11. Approval of interim unaudited report

The interim unaudited report was approved for issuance by the Board of Directors on 15 August 2005.

HERALD INVESTMENT FUND PLC

Other Information

DIRECTORS

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

INVESTMENT MANAGER

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12 Charterhouse Square
London EC1M 6AX
England
www.heralduk.com

ADMINISTRATOR AND REGISTRAR

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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

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Chartered Accountants & Registered Auditors
George's Quay
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Ireland

COMPANY SECRETARY

State Street Fund Services (Ireland) Limited
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Other Information