

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INTERIM REPORT for the period ended 30 June 2006

General Information	3
Statement of Directors' Responsibilities	5
Independent Auditors' Report	6
Custodian's Report	7
Investment Manager's Report.....	8
Portfolio of Investments.....	12
Portfolio Changes (Unaudited)	14
Profit and Loss Account.....	16
Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders	16
Balance Sheet	17
Notes to the Financial Statements	18
Other Information	25

HERALD INVESTMENT FUND PLC

GENERAL INFORMATION

The following information is derived from the Prospectus dated 3rd July 2006.

Herald Investment Fund plc, from hereon in to be known as "the Company", was incorporated on 12 February 1998 as an open ended, variable capital investment company under the laws 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 (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 ("UCITS Regulations, 2003").

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 Financial Regulator (the "Authority"). The Company 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 and preference shares, convertible securities, debt securities, contracts for differences, 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.

PRICES

The price for buying and selling redeemable participating Shares in the Fund is represented by the Net Asset Value per redeemable participating 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 redemption monies will be payable in respect of redemptions made within one year of subscription for redeemable participating Shares and 1% in respect of redemptions made within two years of subscription.

DEALING

Subscriptions and repurchases of redeemable participating 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 redeemable participating 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 redeemable participating 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 with on the next succeeding dealing day. Applications should be made to the administrator:

Bank of Ireland Securities Services Limited
New Century House
International Financial Services Centre
Mayor Street Lower
Dublin1
Ireland

Tel 00 353 1 6737223
Fax 00 353 1 6071973

HERALD INVESTMENT FUND PLC

GENERAL INFORMATION *continued*

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 PERIOD

It was resolved at the board meeting dated 30 May 2006, that the Company would enter into a new administration agreement with Bank of Ireland Securities Services Limited and the custodian agreement be entered into with The Governor and Company of the Bank of Ireland.

It was resolved that with effect from this change in service provider, DHKN Corporate Services Limited be appointed as company secretary to the Company.

HERALD INVESTMENT FUND PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

On behalf of the Board of Directors

Alan Jeffers

Adrian Waters

Date: 25 August 2006

HERALD INVESTMENT FUND PLC

INDEPENDENT AUDITORS' REPORT to the Directors of Herald Investment Fund plc (the "Company")

We have audited the Company's financial statements for the period ended 30 June 2006 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Assets Attributable to Participating Shareholders, the Portfolio of Investments and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Interim Report and the financial statements in accordance with the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland.

We read the other information contained in the Interim Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland.

Use of this report

This report is solely for your use. We understand a copy of the report will be provided for information purposes to the Financial Regulator. We do not accept any duty or responsibility and deny any liability to them or to any other third party to whom this report may be shown or into whose hands it may come.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin 2

25 August 2006

HERALD INVESTMENT FUND PLC

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

We have enquired into the conduct of Herald Investment Fund plc for the period ended 30 June 2006, in our capacity as Custodian to the Company.

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

- a) in accordance with the limitations imposed on investment and borrowing powers of the Company by the Memorandum and Articles of Association and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003; and
- b) otherwise in accordance with the provisions of the Memorandum and Articles of Association and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003.

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

Date: 25 August 2006

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the period ended 30 June 2006

The defined remit for the fund which was launched in April 1998 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. At the end of the period, the net asset value was GBP11.1m.

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

Herald Worldwide Fund NAV	-6.7%
US	
Russell 1000 Large Cap Technology	-11.8%
Russell 2000 Small Cap Technology	-2.0%
NASDAQ Composite	-8.3%
S&P 500	-5.3%
Russell 2000 Small Cap	+0.2%
UK	
FTSE techMARK 100	-5.6%
FTSE Information Technology	-7.3%
FTSE 100	+3.8%
FTSE Small Cap	+2.7%
Europe	
Neuer Markt	+9.2%
FTSE EUROTOP 300	+3.5%
DAX	+5.7%
CAC 40	+5.9%
Asia Pacific	
JASDAQ	-26.0%
Nikkei 225	-7.7%
Hang Seng	+1.6%

All returns £STG adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Introduction

After a strong start to the year, stock markets across the world retreated sharply in April and consolidated or saw only gradual improvements to the end of the period. Concerns over inflation, rising interest rates and a slowdown in economic growth were the primary drivers of this pull back and one must also put this in the context of the strong equity market performance in 2005. The fund assets per share were down 6.7% in the first half against a background of technology once again underperforming the broader indices as can be seen from the figures above with the FTSE techMARK 100 and FTSE IT indices well below the FTSE 100 while in the US the Russell 2000 technology index underperformed the wider Russell 2000 index and the Russell 1000 technology index significantly underperformed the S&P 500. The fund outperformed in the US in the first half but the performance in the UK was less compelling.

US:

The US portfolio that accounted for 52% of assets at the half-year returned -1.3% in GBP despite the dollar depreciating 7.3% in HI 2006. This compares to the larger cap Russell 1000 Tech index down 11.8%, Nasdaq down 8.3% and the smaller cap Russell 2000 Tech index down 2.0% in GBP so the US portfolio materially outperformed the large cap index. This performance was aided by a number of bids for US holdings including Advanced Digital Information in May and RSA Security in late June at c.50% premiums indicating the perceived value of these stocks to trade buyers. This follows on from the completion in March of the Serena Software acquisition announced in late 2005 so three of our US holdings have now been acquired in the past 6 months.

INVESTMENT MANAGER'S REPORT for the period ended 30 June 2006 *continued*

Away from M&A activity Citrix Systems has performed well, up 40% in the first half in USD, having delivered a series of quarterly results ahead of estimates. Macrovision also performed well, up 29%, while Netease is up 59% but is one of the smaller holdings. On the sinners side Apple has come back 20% this period after its superb run last year due to concerns on slowing iPod sales and more recently being caught up in the US stock option scandal but increased Mac market share still provides significant upside. Digitas was also weak, down 7% in the first half but now 35% YTD as two of its three main customers in Delta Airline and GM remain in difficulties while the company profit warned pre-Q2 results as it also lost several new clients. Other sinners include Foundry Networks, Cognos and Jabil Circuit.

This performance is against a background of 17.8% forecast earnings growth for the US portfolio in 2006 and a further 21% in 2007. What is noticeable since we last did this exercise for the 2005 year-end is the compression of US P/E multiples from 31.3x and 25.0x to 20.4x and 16.8x for 2006 and 2007 based on forecast earnings although this reflects a change in portfolio composition as well in what is a dynamic portfolio. This highlights our perception of increasing value in US technology stocks and while earnings growth forecasts have come back slightly from earlier this period the earnings outlook is very robust.

UK

The UK portfolio, 22% of assets, was down 6.4% in HI 2006, compared to the FTSE techMARK index down 5.6% and the FTSE IT index down 7.3%. Plasmon and Imagination Technologies were the main culprits, down 50% and 27% in the first half respectively, but for contrasting reasons. Plasmon continues to disappoint with delays in their UDO storage product roll out but Imagination is demonstrating strong growth with continued design wins and significant growth in royalty revenues so it looks like it will report a profit for the first time this period. On a positive note Amstrad has continued to beat its numbers and is up 21% in the period. Thomson Intermedia has also continued to perform well and is up 12% in the period while Gresham has recovered a little after a terrible year in 2005.

The UK portfolio has forecast earnings growth of 998% in 2006 and 45.8% in 2007. The former figure requires explanation and is the product of downgrades in 2005 earnings resulting in the 2006 growth coming off a lower base. Several stocks are forecast to swing into profit from 2006. The P/E ratios are now forecast at 22.6x and 15.5x for 2006 and 2007, on a par with the US when the UK usually trades at a significant discount.

Europe and the Far East

The European portfolio has been trimmed to just TomTom, a Dutch manufacturer of GPS navigation units and since buying the stock in March, the stock was up 6.2%. In the Far East, LG Electronics has given up all of its gains from 2005 and is down 36% in the first half after a disappointing HI 2006 blighted by the strength of the Korean Won, compressed margins and inventory build at its LCD JV with Phillips. Samsung is a new holding this period and has also suffered from these issues as well as NAND flash prices down 50% YTD so the stock is down 5.5% from where we bought it at the end of Q1 but both stocks seem to have bottomed and Q2 results were ahead of revised down expectations.

The P/E ratios in the Far East are much lower than in the US and the UK but represent the lack of pricing power in the region while earnings growth in 2006 is forecast to be only 12.3% accelerating to 23.2% in 2007. Given TomTom is the sole stock in the European portfolio, the numbers are not particularly representative save to say that the company trades on undemanding valuations and has strong earnings growth forecasts.

Outlook:

Going into H2 2006 the outlook remains positive. Corporates continue to deliver good results and positive outlooks against a backdrop of solid economic growth, notably in the US, despite high oil and commodity prices. Corporate balance sheets remains cash-rich as demonstrated by the spate of cash bids for stocks in the portfolio while corporate capex continues to underpin the technology sector. Rising interest rates remain a concern in part due to inflation fears in the wake of record high oil prices yet again and mutterings of wage inflation in the US. Elsewhere Europe is returning to stronger growth, outside of the UK at least, while China has revised up its GDP growth forecast for the year and Japan continues its return to growth.

In the technology sector the outlook remains optimistic. Global PC shipment forecasts have been revised down with the delay of Vista and JP Morgan are now forecasting 9.1% shipment growth in 2006 to 238m after 15.3% growth in 2005. Apple is enjoying far superior growth rates off a small market share as it enjoys the 'halo' effect from the success of the iPod and its move to Intel-based Macs that can run Microsoft Windows.

HERALD INVESTMENT FUND PLC

INVESTMENT MANAGER'S REPORT for the period ended 30 June 2006 *continued*

On the semiconductor side, the SIA reported May 2006 3-month rolling average sales growth of 9.4% year on year to \$19.7bn with May 2006 sales of \$18.9bn, up 10.8% month on month, well-ahead of the seasonal historic average and an acceleration in growth to 11.8% year on year from 3.1% in April driven by 18.1% shipment growth and a 5.3% ASP decline. In memory after ASP declines of over 50% in NAND flash, Samsung should see a turnaround in earnings in H2 2006 as demand elasticity feeds through and this division along with DRAM accounts for the vast majority of earnings.

Microsoft's new operating system called Vista will be a key driver going into 2007 for the PC and semiconductor sectors with Vista-ready PCs already being sold despite the push-back in the release date to the end of this year. Vista requires a dedicated graphics processor, which requires a minimum of 64MB of DRAM and a recommended 256MB. This is the first time a Windows OS has required a GPU and JP Morgan estimate this additional demand will account for 3-4% of global DRAM demand from 2007. The main memory requirements of Vista are a minimum of 128MB and a recommended 1GB versus Windows XP 64-512MB so double the DRAM requirements.

2006 has seen a spate of upward revisions of global handset demand with Nokia revising up their 2006 global shipment forecast to 915m from 874m with 80% of new users coming from emerging markets, Samsung to 910m from 865m citing emerging market strength and 3G demand growing to 92m from 45m while LG and Sony Ericsson both raised guidance to over 950m. This compares to 810m in 2005 so the handset market continues to enjoy double-digit shipment growth but with a lot of this growth coming from emerging markets, ASPs and margins are under pressure. Texas Instruments is becoming to the handset market what Intel was to the PC market pre AMD, enjoying a market share approaching 50% while Imagination Technologies has been designed into TI's multimedia handset chips. 3G growth will also be very positive for Qualcomm, who receive a royalty on every 3G phone sold.

On the media side, US online advertising grew 30% year on year in 2005 to \$12.5bn and expectations are for a further 27% growth in 2006 versus 5% overall US ad growth and at still only 4.6% ad market share this market still has plenty of room to grow. Ford announced in Q3 05 that they would spend 15% of their \$1bn ad budget online in 2006. This will continue to benefit the likes of Digitas while Netease reported over 1.3m peak concurrent users for its market leading online game, Fantasy Westward Journey. We continue to see more exciting opportunities in the new media arena than in more traditional media sectors.

With growth in many of the key technology verticals there is a strong background for our holdings to perform against. With 85.8% of the portfolio profitable in 2005 and 2006 and forecast earnings growth of 16% in 2006 and 18.4% in 2007 for these profitable companies and 40.3% and 28.8% for the total portfolio while trading on undemanding valuations, we look forward to the second half of 2006 with confidence.

HERALD INVESTMENT FUND PLC

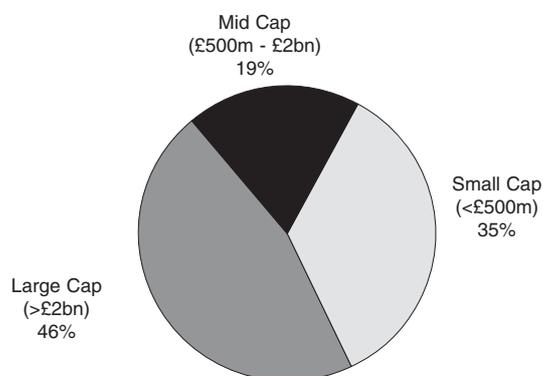
INVESTMENT MANAGER'S REPORT for the period ended 30 June 2006 *continued*

The outlook for the US economy is for continued solid growth throughout 2006, albeit at slightly lower levels than 2005. Falling unemployment and rising oil prices are driving inflation and interest rate tightening, although the minutes from the December 2005 Federal Reserve committee indicated the inflation outlook was more benign given oil prices subsiding, a tough price environment and subdued wage inflation. With the prospect of an end to the US interest rate tightening cycle, the outlook for US equities continues to be optimistic. This view is supported by robust and often outstanding results coming out of the US in our sector and solid balance sheets. Nevertheless the tough pricing environment mentioned by the Fed has and will continue to impact the technology sector while the prospect of a hard landing for the US economy remains given the ever burgeoning trade deficit, a potential interest rate overshoot by the Fed, and fears of a housing market crash as well as continued insurgency in Iraq and the associated terrorist threats. The fate of the US economy will as ever have a sizeable bearing on the global economic outlook but one can identify other key drivers such as the Far East, with a renascent Japan and continued strength from China, and a resumption of growth in the EU. China looks set to overtake the UK as the fourth largest economy in 2006 and the Bank of China recently revealed it would hit US\$1trillion in foreign currency reserves by the end of 2006 if it keeps continuing to amass reserves at the pace of an eye-watering US\$15bn per month. Given the economic outlook, undemanding valuations in our sector and the prospect of strong earnings growth, we look forward to the remainder of 2006 with confidence.

Portfolio Weightings

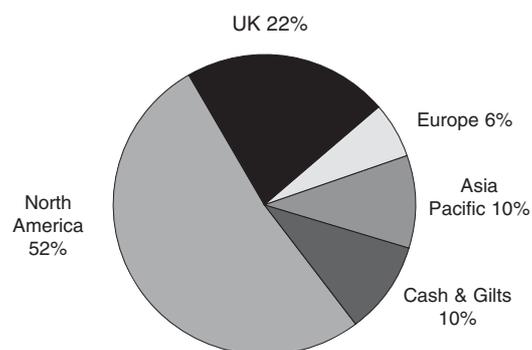
BREAKDOWN BY MARKET CAP AS AT 30/06/2006

	30/06/05	30/06/06
Large Cap	27%	46%
Mid Cap	20%	19%
Small Cap	53%	35%



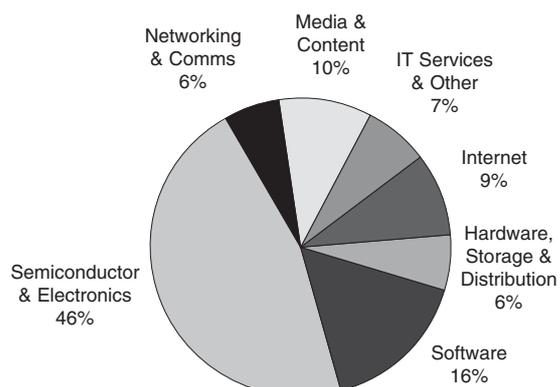
GEOGRAPHIC BREAKDOWN AS AT 30/06/2006

	30/06/05	30/06/06
North America	53%	54%
UK	36%	22%
Europe	2%	5%
Asia Pacific	5%	9%
Cash & Gilts	4%	10%



SECTOR SPLIT AS AT 30/06/2006

	30/06/05	30/06/06
Semiconductor & Electronics	29%	46%
Networking & Communications	8%	6%
Media & Content	15%	10%
IT Services & Other	10%	7%
Internet Infrastructure & Services	2%	9%
Hardware, Storage & Distribution	10%	6%
Software	26%	16%



Source: Herald Investment Management Limited.

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2006

NOMINAL	SECURITY NAME	CLASSIFICATION	VALUE GBP	FUND%
NETHERLANDS - 4.52% (2005 - Nil)				
<i>HOUSEHOLD DURABLES</i>				
24,000	TomTom NV		503,233	4.52
KOREA - 5.91% (2005 - 3.72%)				
<i>HOUSEHOLD DURABLES</i>				
7,000	LG Electronics Inc		228,989	2.06
1,250	Samsung Electronic		428,856	3.85
MALAYSIA - 3.40% (2005 - 4.27%)				
<i>MEDIA</i>				
740,000	Star Publications		378,919	3.40
UNITED KINGDOM - 21.78% (2005 - 32.68%)				
<i>COMMERCIAL SERVICES & SUPPLIES</i>				
300,000	Thomson Intermedia		609,000	5.47
<i>COMMUNICATIONS EQUIPMENT</i>				
300,000	Amstrad Plc		558,000	5.01
<i>COMPUTERS & PERIPHERALS</i>				
730,000	Imagination Technologies Group		401,500	3.60
300,000	Plasmon		173,250	1.56
<i>DIVERSFIELD FINANCIALS</i>				
145,000	Herald Investment Trust		496,263	4.46
<i>SOFTWARE</i>				
190,000	Gresham Computing		187,150	1.68
UNITED STATES - 54.00% (2005 - 53.05%)				
<i>COMMUNICATIONS EQUIPMENT</i>				
90,000	MRV Communications Inc	(a)	149,388	1.34
11,000	Qualcomm Inc	(a)	238,372	2.14
<i>COMPUTERS & PERIPHERALS</i>				
18,000	Apple Computer	(a)	556,871	5.00
90,000	Simpletech Inc	(a)	183,450	1.65
<i>ELECTRONIC EQUIPMENT & INSTRUMENTS</i>				
8,500	Arrow Electrics Inc	(a)	147,936	1.33
43,000	Foundry Networks Inc		248,066	2.23
11,000	International Business Machines		456,641	4.10
10,000	Jabil Circuit Inc		138,412	1.24
42,481	United Microelectronics Corp		71,202	0.64
<i>IT CONSULTING & SERVICES</i>				
20,000	Cognos Inc	(a)	307,210	2.76
60,000	Digitas Inc	(a)	375,983	3.38
54,000	Iona Technologies	(a)	125,252	1.12
8,000	Manhattan Associates Inc	(a)	87,762	0.79
12,000	Netease Commercials Inc	(a)	145,333	1.30
<i>MEDIA</i>				
20,000	Macrovision Corp	(a)	232,489	2.09

HERALD INVESTMENT FUND PLC

PORTFOLIO OF INVESTMENTS as at 30 June 2006 *continued*

NOMINAL	SECURITY NAME	CLASSIFICATION	VALUE GBP	FUND%
UNITED STATES - 54.00% (2005 - 53.05%) <i>continued</i>				
<i>SEMICONDUCTOR EQUIPMENT & PRODUCTS</i>				
18,800	Analog Devices Inc		326,590	2.93
22,000	EMC Corporation	(a)	130,248	1.17
50,000	MIPS Technologies Inc		163,824	1.47
30,000	Texas Instruments Inc	(a)	491,146	4.40
12,000	Xilinx Inc		147,344	1.32
<i>SOFTWARE</i>				
20,000	Citrix Systems Inc	(a)	433,727	3.89
21,000	Microsoft Corporation	(a)	264,551	2.38
25,000	RSA Security Inc	(a)	366,305	3.29
19,500	THQ Inc	(a)	227,731	2.04
TOTAL INVESTMENTS			9,980,993	89.61
Current Assets			1,188,017	10.67
Total Assets			11,169,010	100.28
Current Liabilities			(30,926)	(0.28)
NET ASSET VALUE PER FAIR VALUE PRICES AS AT 30/06/2006			11,138,084	100.00

	30-Jun-06 GBP	31-Dec-05 GBP	31-Dec-04 GBP
Net Asset Value per fair value prices	11,138,084	9,675,573	11,259,825
Fair Value adjustment	34,636	55,161	—
Net Asset Value per dealing prices	11,172,720	9,730,734	11,259,825
Number of Redeemable Participating Shares in Issue	1,074,626	873,112	1,092,418
Net Asset Value per Redeemable Participating Share, based on dealing prices	10.40	11.14	10.31

Classification

(a) Transferable securities dealt on another regulated market.

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

% of Total assets
39.96

Analysis of Total Assets

Transferable securities as described in classification (a) above

Transferable securities admitted to an official stock exchange listing

Current Assets

%
39.96
49.41
10.63

100.00

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES for the period ended 30 June 2006 (Unaudited)

MAJOR PURCHASES	GBP VALUE
Digitas Inc	535,935
Tomtom Nv	480,245
Samsung Electronic	477,421
International Business Machines	472,600
Texas Instruments Inc	352,773
Plasmon	243,942
Gresham Computing	105,549
Netease Commercials Inc	98,712
Imagination Technologies Group	74,594

HERALD INVESTMENT FUND PLC

PORTFOLIO CHANGES for the period ended 30 June 2006 (Unaudited) *continued*

MAJOR SALES	GBP VALUE
Alphameric	551,239
Advanced Digital Information	380,114
Serena Software Inc	208,207
Amstrad Plc	179,459
Gresham Computing	113,280
Focus Solutions Group Plc	63,880
Mcdata Corporation	60,458

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

HERALD INVESTMENT FUND PLC

PROFIT AND LOSS ACCOUNT for the period ended 30 June 2006

			Period ended 30/06/06 GBP	GBP	Year ended 31/12/05 GBP
Gross income	9	42,086		78,460	
Net (losses)/gains on investments at fair value	7	(853,303)		811,707	
Other losses	8	(17,875)		(15,345)	
		(829,092)		874,822	
Total Investment (Loss)/Income					
Expenses	10	(104,539)		(185,719)	
		(829,092)		874,822	
Net (loss)/income for the period			(933,631)		689,103
Less: withholding tax on dividends and other investment income			(6,212)		(11,632)
			(939,843)		677,471
Net (decrease)/increase in net assets attributable to redeemable participating Shareholders			(939,843)		677,471

* Gains and losses arose solely from continuing operations. There were no gains or losses other than those dealt with in the profit and loss account.

On behalf of the Board of Directors

Alan Jeffers
Adrian Waters

Date: 25 August 2006

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS for the period ended 30 June 2006

			Period ended 30/06/06 GBP	GBP	Year ended 31/12/05 GBP
Net assets attributable to redeemable participating Shareholders at the beginning of period			9,675,573		11,259,825
Net increase/(decrease) in net assets resulting from redeemable participating share transactions:					
Amounts received on sale of Shares		3,509,888		—	
less: Amounts paid on repurchase of Shares		(800,912)		(2,586,843)	
Equalisation		(306,622)		325,120	
		(807,646)		(2,261,723)	
Net (decrease)/increase in net assets attributable to redeemable participating Shareholders from operations			2,402,354		(2,261,723)
			(939,843)		677,471
			11,138,084		9,675,573
Net assets attributable to redeemable participating Shareholders at the end of the period			11,138,084		9,675,573

The notes on pages 18 to 24 are an integral part of these financial statements.

On behalf of the Board of Directors

Alan Jeffers
Adrian Waters

Date: 25 August 2006

HERALD INVESTMENT FUND PLC

BALANCE SHEET as at 30 June 2006

	Note	30/06/06 GBP	31/12/05 GBP
CURRENT ASSETS			
Financial assets held at fair value through profit or loss:			
Transferable securities at fair value		9,980,993	9,549,161
Cash and bank balances	12	1,188,017	403,437
Debtors	11	—	398
TOTAL CURRENT ASSETS		<u>11,169,010</u>	<u>9,952,996</u>
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	13	(30,926)	(277,423)
TOTAL CURRENT LIABILITES		<u>(30,926)</u>	<u>(277,423)</u>
NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS		<u>11,138,084</u>	<u>9,675,573</u>

The notes on pages 18 to 24 are an integral part of these financial statements.

On behalf of the Board of Directors

Alan Jeffers
Adrian Waters

Date: 25 August 2006

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006

1. Basis of presentation

The principal accounting policies and estimation techniques applied in the preparation of these financial statements are set out below. The financial statements have been prepared in accordance with the accounting standards generally accepted in Ireland. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The company has availed of the exemption available to open-ended investment funds under FRS 1 (revised) "Cash Flow Statements" not to prepare a cash flow statement.

The information required by Financial Reporting Standard no. 3 "Reporting Financial Performance" to be included in a Statement of Total Recognised Gains and Losses and a Reconciliation of Movements in Shareholders' Funds is, in the opinion of the Directors, contained in the Profit and Loss Account and the Statement of Changes in Net Assets Attributable to Redeemable Participating Shares on page 16. In arriving at the results for the period, all amounts in the Profit and Loss Account on page 16 relate to continuing activities.

2. Significant accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair value through the profit and loss and in accordance with generally accepted accounting standards in Ireland. 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 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 the most part of UK sourced 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 at fair value. 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 at fair value in the Profit and Loss account.

e) Investments at fair value

All investments in the Fund's Portfolio of Investments are classified as held at fair value through profit and loss.

Regular-way purchases and sales of investments are recognised on trade date – the date on which the Fund commits to purchase or sell the asset.

Equities – Equity investments listed on a recognised stock exchange or traded on any other organised active market are valued at fair value. The close of business price on the principal exchange or market for such instrument, being a quoted bid price, is taken as the best evidence of fair value. For investments acquired or traded at a premium or discount outside or off the relevant exchange, or on an over the counter market, these may be valued taking into account such a premium or discount as at the date of valuation of the investment.

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006 *continued*

2. Significant accounting policies *continued*

e) Investments at fair value *continued*

Equities – continued

If for specific investments the close of business bid prices do not, in the opinion of the Manager, reflect their fair value or are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. If the market for an investment is not active, an entity establishes fair value by using a valuation technique as determined by the Manager, approved for such purpose by the Trustee, in consultation with the Investment Manager with a view to establishing the probable realisation value for such investments as at the close of business. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another investment that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the investment and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Fund uses that technique. Estimation methods and valuation models may be used to calculate fair value.

f) Distribution policy

The Company may 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.

g) Foreign exchange

Foreign currency translation

The functional currency of the Fund is Sterling reflecting the Fund's primary economic environment. The financial statements are presented in Sterling, the presentation currency which is also the functional currency of the Fund.

Foreign currency assets and liabilities, including investments, are translated into Sterling at the exchange rate prevailing at the period-end. The foreign exchange gain or loss based on the translation of the original cost of the investments is included in the net gains or losses on investments at fair value. The foreign exchange gain or loss arising on the translation of other assets is included in foreign exchange gains or losses.

Realised gains and losses arising between the transaction and settlement dates on purchases or sales of non-Sterling investments are included in foreign exchange gains or losses in the Profit and Loss Account.

h) Redeemable shares

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with FRS 25 such instruments give rise to a financial liability for the value of the redemption amount. In accordance with the prospectus the Fund is contractually obliged to redeem shares at last traded prices. In accordance with FRS 25 the measure of fair value of a financial asset is the current bid-market price, the redeemable shares need to be adjusted to bid-market prices to balance the balance sheet. Financial liabilities arising from the redeemable shares issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3. Significant agreements

Investment Manager

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

In addition, the Investment Manager is paid a performance fee annually in respect of each accounting period of the Fund at a rate of 10% per annum of the amount, if any, by which the NAV excluding performance fee at the end of the accounting period exceeds the target net asset value (110% of the opening NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Fund over the relevant period. The opening NAV is the previous highest NAV as at the end of an accounting period or the NAV of the Fund as at the close of the initial offer period in the case of the first period or where this is greater than the previous highest NAV of the Fund. The opening NAV is GBP11.14 per Share. This fee is calculated and accrued at each valuation point. No performance fee was earned during the period.

HERALD INVESTMENT FUND PLC

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006 *continued*

3. Significant agreements *continued*

Administrator

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

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

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

The administrator changed effective 1 July 2006 from State Street Fund Services (Ireland) Limited to Bank of Ireland Securities Services Limited.

Custodian

State Street Custodial Services (Ireland) Limited has been appointed Custodian to the Fund pursuant to the Custodian Agreement. For this service, the Fund pays to the Custodian a fee of 0.025% per annum of the NAV of the Fund. The Custodian's fee is paid monthly in arrears and is accrued on each dealing day based on the NAV of the Fund on each dealing day. In addition, the Custodian is entitled to a transaction charge of GBP30 per transaction and shall be reimbursed all subcustodial and transactional fees and expenses which will be charged at normal commercial rates.

4. 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.

5. Equalisation

Income equalisation arrangements are applied in the case of Redeemable Participating Shares in the Fund. These arrangements are intended to ensure that the income per Redeemable Participating Share which is distributed in respect of the distribution period is not affected by changes in the number of Redeemable Participating 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 redeemable participating Shares.

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Income deducted on sale of Redeemable Participating Shares	(400,802)	—
Income received on repurchase of Redeemable Participating Shares	94,180	325,120
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(306,622)	325,120
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

HERALD INVESTMENT FUND PLC

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006 *continued*

6. Net Asset Value per Redeemable Participating Share

The Net Asset Value per Redeemable Participating Share is determined by dividing the net asset value per dealing prices by the total number of Redeemable Participating Shares in issue.

7. Net gains on investments at fair value during the period

The net gains on investments at fair value during the period comprise:

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Proceeds from sales of investments during the period	1,556,637	3,282,223
Original cost of investments sold during the period	(1,732,982)	(3,669,768)
	<hr/>	<hr/>
(Losses) realised on investments sold during the period	(176,345)	(387,545)
Total unrealised movement for the period	(676,958)	1,199,252
	<hr/>	<hr/>
Net (losses)/gains on investments during the period	<u>(853,303)</u>	<u>811,707</u>

8. Other losses

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Other losses comprise:		
Foreign exchange losses on capital assets	(17,875)	(15,345)
	<hr/>	<hr/>

9. Gross income

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Income from investments at fair value	35,040	74,028
Bank interest	2,893	4,432
Other income	4,153	-
	<hr/>	<hr/>
	<u>42,086</u>	<u>78,460</u>

HERALD INVESTMENT FUND PLC

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006 *continued*

10. Expenses

		Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Payable to the Investment Manager			
Investment Management fee	3	(43,831)	(78,227)
Payable to the Administrator			
Administration fee	3	(24,866)	(50,658)
Registration fee	3	(1,132)	(3,740)
		(25,998)	(54,398)
Payable to the Custodian			
Custody fee	3	(2,162)	(2,151)
Sub-custody fee	3	(1,907)	(1,375)
		(4,069)	(3,526)
Other expenses			
Audit fee		(11,052)	(13,955)
Directors' remuneration		(12,143)	(25,245)
Other		(7,446)	(10,368)
		(30,641)	(49,568)
Total expenses		(104,539)	(185,719)

11. Debtors

		Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Accrued income		—	398
		—	398

12. Cash and bank balances

		Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Cash and bank balances		1,188,017	403,437
		1,188,017	403,437

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

HERALD INVESTMENT FUND PLC

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006 *continued*

13. Creditors

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Amounts payable on repurchase of Shares	—	(223,394)
Accrued expenses	(30,926)	(54,029)
	(30,926)	(277,423)
	(30,926)	(277,423)

14. Exchange rates

The following GBP exchange rates used in this report were :

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
EUR	1.4465	1.4554
KRW	1,754.6683	1,735.3767
MYR	6.7962	6.4885
NOK	11.5090	11.6245
TWD	59.8829	56.3832
US\$	1.8496	1.7167

15. Purchases and sales of investments during the period

	Period ended 30/06/06 GBP	Year ended 31/12/05 GBP
Total purchases	2,841,770	1,126,216
Total sales	1,556,637	3,282,223

16. Related party transactions

Herald Investment Management Limited, who acts as Investment Manager of the Fund earned GBP43,831 (2005:GBP78,227) during the period for providing this service. At the period end GBP Nil (2005:GBP6,114) was due to Herald Investment Management Limited.

17. Soft commission arrangements

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

18. Financial instruments

The financial instruments of the Fund are set out in the Portfolio of Investments on page 12 to 13. The main risks and policies relating to the financial instruments are:

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.

HERALD INVESTMENT FUND PLC

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 June 2006 *continued*

18. Financial instruments *continued*

Currency risk

The functional 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.

The Fund has no financial liabilities other than short-term creditors as described in note 13. A substantial portion of the investments of the Fund are denominated in currencies other than in GBP and are included below:

2006

Currency	Investments GBP	Other Net Assets GBP	Total GBP
EUR	503,233	—	503,233
KRW	657,845	—	657,845
MYR	378,919	—	378,919
US\$	6,015,830	—	6,015,830
	7,555,827	—	7,555,827
	7,555,827	—	7,555,827

2005

Currency	Investments GBP	Other Net Assets GBP	Total GBP
KRW	360,210	—	360,210
MYR	419,129	—	419,129
TWD	—	7,555	7,555
US\$	5,718,920	1,727	5,720,647
	6,498,259	9,282	6,507,541
	6,498,259	9,282	6,507,541

19. Subscriber Shares

As at 30 June 2006, 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 financial statements by way of this note only.

20. Approval of the financial statements

The financial statements were approved for issuance by the Board of Directors on 25 August 2006.

HERALD INVESTMENT FUND PLC

Other Information

DIRECTORS

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

* Independent Director

INVESTMENT MANAGER

Herald Investment Management Limited
10 - 11 Charterhouse Square
London EC1M 6EE
England
www.heralduk.com

ADMINISTRATOR AND REGISTRAR

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

Bank of Ireland Securities Services Limited (appointed)
New Century House
International Financial Services Centre
Mayor Street Lower
Dublin 1
Ireland

CUSTODIAN

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

The Governor and Company of the Bank of Ireland
(appointed)
Lower Baggot Street
Dublin 2
Ireland

INDEPENDENT AUDITORS

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

COMPANY SECRETARY

State Street Fund Services (Ireland) Limited (resigned)
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International Financial Services Centre
Dublin 1
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DHKN Corporate Services Limited (appointed)
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