

HERALD INVESTMENT FUND PLC
– The Herald Worldwide Fund

ANNUAL REPORT

for year ended 31 December 2007

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

ANNUAL REPORT for year ended 31 December 2007

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HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

ORGANISATION

REGISTERED OFFICE OF THE COMPANY

DHKN Corporate Services Limited
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

INVESTMENT MANAGER

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

ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT

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

CUSTODIAN

The Governor and Company of the Bank of Ireland
Head Office:
Lower Baggot Street
Dublin 2
Ireland

Place of Business:

New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

LEGAL ADVISOR

In Ireland
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

DIRECTORS OF THE COMPANY

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

SECRETARY

DHKN Corporate Services Limited
Taney Hall
Eglinton Terrace
Dundrum
Dublin 14
Ireland

INDEPENDENT AUDITORS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

SPONSORING BROKER

NCB Stockbrokers Limited
3 George's Dock
International Financial Services Centre
Dublin 1
Ireland

PRIME BROKER**

Merrill Lynch
Global Markets Financing & Services
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
England

LEGAL ADVISOR

In England
Macfarlanes
10 Norwich Street
London EC4A 1BD
England

* Independent Directors

** Appointed 2 November 2007

Registered No: 280256

HERALD INVESTMENT FUND PLC
The Herald Worldwide Fund
BACKGROUND TO THE COMPANY

DESCRIPTION

Herald Investment Fund plc, ("The Company"), is an open-ended investment company with variable capital organised under the laws of Ireland as a public limited company pursuant to the Companies Act, 1963 to 2006 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended) (the "Regulations"). It was incorporated on the 12 February 1998 and is listed on the Irish Stock Exchange.

The Company is organised in the form of an umbrella fund with segregated liability. The Articles of Association provide that the Company may offer separate classes of Shares, each representing interests in a fund comprising a distinct portfolio of investments. The Company has obtained the approval of the Financial Regulator for the establishment of the Herald Worldwide Fund (the "Fund") and this Fund was launched on 3 April 1998.

INVESTMENT OBJECTIVE AND POLICY

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
- Contracts for Differences. These are held in accordance with the Fund's investment objectives 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 repurchase monies will be payable in respect of repurchases made within one year of subscription for redeemable participating shares and 1% in respect of repurchases 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 (Irishtime) 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,
Mayor Street Lower,
International Financial Services Centre,
Dublin 1,
Ireland.

Tel +353 (0)1 670 0300

Fax +353 (0)1 829 0144

www.boiss.com

HERALD INVESTMENT FUND PLC
The Herald Worldwide Fund
BACKGROUND TO THE COMPANY *continued*

DIVIDENDS

The Fund may 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.

INVESTMENT MANAGEMENT

Herald Investment Management Limited serves as Investment Manager pursuant to an investment management agreement dated 23 March 1998 (as amended by an addendum dated 29 June 2006).

NET ASSET VALUE

The Net Asset Value per Share of a class shall be calculated by dividing the Net Asset Value of the relevant fund attributable to the class by the number of Shares in issue in that class as at the close of business on the Dealing Day immediately preceding the Dealing Day on which the Net Asset Value per Share is being calculated.

PUBLISHED INFORMATION

Except where the determination of the Net Asset Value has been suspended, the Net Asset Value per Share shall be made available at the registered office of the Administrator on each Dealing Day and shall be available on the Business Day immediately succeeding each Dealing Day and shall be notified immediately to The Irish Stock Exchange. In addition, the Net Asset Value shall also be available in respect of each Dealing Day on the Investment Manager's website, www.heralduk.com on the Business Day immediately succeeding the relevant Dealing Day. Such information shall relate to the Net Asset Value per Share for the previous Dealing Day and is available for information only. It is not an invitation to subscribe for, repurchase or convert Shares at that Net Asset Value.

The above details are in summary form only and must be read in conjunction with the detailed information contained in the prospectus of the Company.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2007

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 presents attractive investment opportunities. In addition the Investment Manager offers focused specialist management. The Fund was launched in April 1998 with an initial net asset value of GBP13.0m. At the end of the period, the net asset value was GBP9.41m.

Capital performance for the 12 months to 31/12/07

Herald Worldwide Fund NAV 2.57%

Global

MSCI World Information Technology 12.86%

United States

Russell 1000 Large Cap Technology 14.31%

Russell 2000 Small Cap Technology 2.62%

NASDAQ Composite 8.38%

S&P 500 2.18%

Russell 2000 Small Cap -4.01%

United Kingdom

FTSE techMARK 100 8.50%

FTSE Information Technology -6.40%

FTSE 100 3.80%

FTSE Small Cap -12.40%

Europe

Neuer Markt 33.80%

FTSE EUROTOP 300 10.83%

DAX 33.95%

CAC 40 10.56%

Asia Pacific

KOSDAQ 13.75%

Nikkei 225 -7.88%

Hang Seng 37.10%

All returns £STG adjusted.

Source: Herald Investment Management Limited, Bloomberg.

Introduction

Although 2007 has proved a solid year in terms of profits growth in investee companies, investor sentiment has been unnerved by the macro-economic background and the credit crunch in particular. The initial reaction in September and October was for the large capitalisation US companies to rally with an initial view that the technology sector would be a safe haven far from the problems of the sub-prime sector which we did not expect, but further reflection and worsening macroeconomic news has made investors expect a slowdown in consumer expenditure and enterprise capital spending. It would be surprising if this did not occur with a slowdown in economic growth.

However, there are a number of growth drivers which lead us to anticipate only a slower growth rate. In particular the weakness of the US\$ is improving the value of US exports, growth in emerging markets is high and becoming large enough to be noticeable. There are structural drivers such as Web 2.0, faster processors (Intel), new PC operating systems, faster WANs which are driving upgrades throughout the food chain. In particular video over wired and wireless networks is far more challenging than e-mails, which was the original killer application for the internet.

United States

Having peaked at 66.6% in August, a subsequent shift of assets to cash has brought the US portfolio (excluding Iona Technologies) down to 63.4% of total assets. Specifically, a net cash amount of £2.3m has been taken out of the US in 2007. For the year, the portfolio has returned an estimated 10.8% in sterling vs. 14.3% for the Russell 1000 Tech Index's and 2.6% for the smaller company Russell 2000 Tech Index, which demonstrates the divergence between large and small caps that has developed after the credit crisis reduced investors' appetite for risk.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2007 *continued*

United States *continued*

Four of the top five performers of the fund (in sterling amount returned) have been US holdings, namely Apple (+133%), Flir Systems (+97%), Cognos (+36% following the \$58/share IBM bid) and ON Semiconductor (+41% before the holding was sold in April). Apple has had a very successful year across all its product lines, with Macs winning additional market share from PCs, a fast adoption rate amongst its users for the new Leopard Operating System, the iPhone staging successful launches in the US and Europe and the iPod maintaining its market dominance. Similarly Flir has had a successful year in terms of signing new government contracts and improving fundamentals.

The worst performers in the US portfolio have been STEC, which was sold in April (-44%) in view of a continuously deteriorating DRAM environment, MRV Communications (-34%) on regulatory concerns, Macrovision (-35%) principally due to the market's disapproval of the acquisition of Gemstar TV in Germany and Jabil Circuit (-38%) the electronics manufacturing services company which the market has punished for losing Nokia as a customer as well as in view of a worsening macro environment.

United Kingdom

The UK portfolio accounted for 15% of assets as at year end, a sharp decline from the 22% at the beginning of the year. The portfolio's return was estimated at -15.1% which, as seen above, compares unfavourably to all the relevant UK indices. The UK has experienced a similar divergence to that witnessed in US equities between the small cap indices versus their large cap counterparties (FTSE Small cap down 12.4% vs. FTSE TechMARK100 up 8.5%).

It should be noted here that the large majority of the UK holdings, 82% in value, are indeed small caps. In the period the fund has exited its long standing positions in Plasmon, Gresham Computing and Amstrad, the latter being the result of its acquisition by BSkyB. Additionally profits were taken from the position in Imagination Technologies as it had significantly outgrown the rest of the portfolio on the back of a year of solid execution.

The underperformance of the UK portfolio can almost entirely be attributed to another one of our earliest holdings, Thomson Intermedia, which despite its strong and growing underlying business and despite being the fund's best performing stock since its purchase in 2002 for 14p, has recently been experiencing growing pains (the company went through a needed management change to take it to the next level). The Investment Manager feels that the size of the current holding, a fraction of the initial purchase, is sensible given the low value currently put on it by the market. The other weak UK performer of 2007 has been the Herald Investment Trust which, unsurprisingly, has been a casualty of the investor flight from small caps.

Far East and Europe

With an estimated 17.2% return, the Far East portfolio has been the star performer of the year. With three companies, the allocation to the Far East remains light in terms of number of holdings but has grown significantly in percentage terms as it now accounts for 12% of assets against 8.3% at the beginning of the year. This has primarily been the result of LG Electronics' superb performance, with its stock appreciating 82% in local currency. LG has benefited from market share gains in handsets aided by the release of the Viewty phone, solid execution in its home appliances division and an improving pricing trend in its LCD panel business, LPL.

Samsung on the other hand has been less fortunate as it has been facing a very unfavourable pricing environment in DRAM and Flash memory; even though it would be misleading to portray Samsung, the industry's dominant (and most aggressive) player, as an innocent victim of the whole affair. Its success in overtaking Motorola as the world's number two handset provider was not enough to offset these memory declines, leading the stock down 9.3% in the year. In Malaysia, the leading English language newspaper and magazine publisher, Star, (stock up 13.2%) is still growing on the back of increasing advertising spend and remains attractively valued with a strong cash position.

There have been no changes to the European portfolio (which still represents ~1% of assets) with Iona remaining the sole holding in the region. Unfortunately, 2007 has not been a good year for the company as its 25% exposure to weakening financial markets led the stock down 34%. Following the share price drop and the overall weak market conditions, the takeover approach, from an undisclosed party, announced in early February did not come as a surprise as it joins a long list of smaller companies either being taken out at cheap valuations or losing faith in public markets.

Outlook

Entering 2008, all eyes are on the US and UK consumer. Retail sales and consumer spending have until recently been robust but December figures are indicating that the interest rate hikes of '06 & '07, increasing commodity prices and a housing downturn now on both sides of the Atlantic might finally have started taking their toll. Already fears of such a spending slowdown and its implications for the increasingly consumer dependent technology industry have sent the Russell 2000 Tech

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2007 *continued*

Outlook *continued*

index in the US plummeting (-14%) in the first two weeks of 2008. Corporate spending has been the other source of concern especially for financial services companies that have been caught in the eye of the sub-prime storm and are now facing writedowns, restructurings and lay-offs.

Fears of a general economic recession as a result of the continuing credit crunch have led to expectations that both the Fed and the BoE will continue lowering base rates in 2008. Such rate cuts, ignoring inflation risks, would certainly encourage activity in the housing market as well as other investment activity in the financial markets with derivative benefits to technology providers.

After a flattish 2007 wherein sales are estimated to have grown by 1-2%, semiconductor revenues according to Citi research are expected to bounce back to a healthy 8%. That said, twelve months ago market estimates for 2007 were pointing to a 10% growth in revenues vs. '06 without heading into the year fearing an economic downturn. The culprit for the underperformance of the industry last year has almost entirely been memory which makes up roughly a quarter of the semi market, whereas now a (likely) slowdown in consumer and corporate spending would have more widespread implications and could, in retrospect, render the current 12-month projections even more extravagant.

In addition, DRAM price declines do not appear to be easing as Samsung is forcing the whole industry to dance to a relentless, universally painful capacity-expansion and technological-migration tune. 2007's cash burn was painful enough to have forced all DRAM players to announce lower capital expenditure budgets and/or fab shut-downs for next year with the exception of Samsung which is in fact raising its capital expenditure for '08. It's increasingly becoming evident that Samsung's game is to use its muscle to drive smaller, tier-2 DRAM players out of business and bigger DRAM/NAN manufacturers into the red.

This would place the company in pole position for the upcoming SSD race. If that indeed is the strategy, it would not be surprising if Samsung does not slow the tempo in 2008 thus leading to further carnage in DRAM. 2007 proved to be a good year for PCs, with units and sales estimated (by Gartner) to have grown 13% and 10% respectively primarily driven by the consumer and despite a slow Vista adoption rate by enterprises. Exiting the year, the jury is still out on Christmas sales but the momentum that has been built in previous months could be at risk from early reports of inventory build-ups at Dell and Acer and dull overall Christmas sales on the high street.

Analyst estimates for 2008 had been hovering around 10-11% unit growth but in recent weeks these have been brought down by 1-2ppts in view of slower economic growth. However, the well known drivers in PC growth, namely notebook penetration, sales to emerging markets and Vista adoption, remain intact and should account for most of the growth in 2008.

These factors together with the upcoming release of Vista's Service Pack 1 which should encourage corporate uptake, will help companies such as Microsoft, power management providers Analog Devices & Texas Instruments as well as EMS company Jabil Circuit and distributor Arrow Electronics boost revenues.

Other very interesting trends in the industry also exist: First there is Intel's push for Ultra Mobile PCs (or UMPCs) that are expected to bridge the gap between smart phones/mobile internet devices and notebook PCs. To that end, Intel has developed a low power mobile platform, codenamed Menlow, based on their newest 65&45nm processors with integrated 3-D graphics (possibly from Imagination Technologies). Menlow also features a Solid State Drive (NAND Flash drive) from vendors such as Samsung and SanDisk replacing the bulkier Hard Disk Drives.

The use of SSDs doesn't stop there however. Apple has recently announced an ultra thin notebook computer, the MacBook Air, which features (for an extra \$1000) a 64GB SSD. It will most likely be another couple of years before NAND flash pricing permits SSDs to become mainstream but until then the PC industry is increasingly moving to "Hybrid Drives" i.e. flash memory attached to a HDD, acting as a buffer, which among other things, allows faster boot-up and lower power consumption. Windows Vista with its ReadyBoost and ReadyDrive functions appears to have already embraced these hybrid drives.

The Investment Manager expects Apple to begin expanding its Mac presence beyond consumers and graphics design professionals and into mainstream enterprises in 2008 and to continue winning market share from Windows PCs. As more and more users are lured away from Windows and become accustomed to the Apple environment, it is a matter of time until they start demanding from their companies' IT desks to offer support for their Macs. Apple with Parallels (its virtual Windows environment) and with the release of the Leopard server as well as the rapidly increasing 3rd party software development activity around Apple, have been assisting that adoption by the enterprise.

This has been an excellent year for the handset market, wherein it grew in units by an impressive -14%. For 2008, analysts are now projecting unit growth to drop to circa 10% primarily as a result of the current macro-economic expectations.

HERALD INVESTMENT FUND PLC

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INVESTMENT MANAGER'S REPORT for the year ended 31 December 2007 *continued*

Outlook *continued*

Nevertheless, the trends in the industry remain mostly unchanged: BRIC penetration is driving unit growth -but also lower ASPs.

The US and Europe (with the exception of Eastern Europe) is now almost entirely driven by a replacement/upgrade cycle which offsets ASP declines. 3G (WCDMA & CDMA2000) is growing fast and according to Qualcomm, is set to account for 35% of global units sold in '08. GSM/WCDMA continues to win share from CDMA/CDMA2K around the world and especially in key emerging markets such as China. The rapid adoption of 3G implies more multimedia phones in need of application & multimedia processing power which 95+% of the time would be provided by an ARM core. Similarly, WCDMA's gains over CDMA2K are bound to benefit the world's leading WCDMA baseband provider, Texas Instruments.

In relation to handset market participants, Nokia now seems to be at its strongest competitive position of recent years with a 39% unit market share and expanding gross margins to a large degree at the expense of Motorola which appears to have completely dropped the ball (by its inability to keep the RAZR momentum going). This is definitely good news for Texas Instruments, Nokia's principal chip provider, which although affected by Nokia's decision to expand its outsourcing base, has offset the downside by wins with other handset OEMs.

TI's decision to eventually move to a fabless model should also help them concentrate more on design innovation rather than the increasingly costly game of manufacturing. The other big winner here should be Imagination Technologies, whose graphics IP has also found its way inside Nokia's top selling N-Series phones via OMAP3, Texas Instrument's application processor. Imagination graphics can also be found in Apple's iPhone (via Samsung's apps processor), whose success in the US and Europe is by now apparent.

With the increasing penetration of mobile telephony as well as the demand for higher speed, 3G networks will most definitely continue to require telco investment in network infrastructure. Although an opportunity for traditional wireline equipment providers, the intensifying competition from low cost Asian providers such as Huawei, the continuous telco consolidation (which shifts bargaining power away from the equipment manufacturers) and network sharing agreements in wireless networks renders that industry largely unattractive.

We view the IP networking market as being more appealing, driven by the migration of PSTN telephone networks to IP as well as rapid broadband penetration in response to triple play services. At the forefront of that trend is the market leader Cisco with high exposure to carrier and enterprise networks both in the West but also in fast growing emerging markets. Given the risk of recession in America, the fact that Cisco is less than 25% exposed to U.S. enterprise is encouraging.

Similarly Foundry Networks' limited exposure to the enterprise and especially the financial services sector appears to be related to L2-L3 networking infrastructure requirements to enable server virtualisation, which allows fewer high end, networked servers to rationalise hugely expensive and power hungry server farms. Server virtualisation will most certainly continue to be one of the main growth drivers in enterprise data spending into next year and its immense cost efficiencies should make it immune to budget cuts.

Server virtualisation should also continue being one of the buzz words for IBM which offers both high end servers as well as its own virtualisation software, as does Citrix via its acquisition of Xen. Citrix, together with Iona, is also a leader in SOA (Service Oriented Architecture) software whose modularity and network/web delivery principles makes enough sense to enterprise systems to ensure it weathers capital expenditure reductions. Also enabling the secure and reliable delivery of SOA software is our newest holding, F5 Networks, with its flagship BigIP product family.

The sector is characterised by strong balance sheets and P/Es that look undemanding in an environment of low interest rates. The capacity of the banks to stall the economy is yet to be determined. The wider global economy has not been affected yet. However, in the US woes seem to be migrating from sub-prime housing to leveraged buy-out loans and even municipal bonds, which may make current forecast growth rates unachievable, and Japan is looking weak, while there are even signs of a credit squeeze in Russia. However, share prices are to an extent discounting this and if the banks can muddle through without further shock then there is reason to be optimistic.

HERALD INVESTMENT FUND PLC

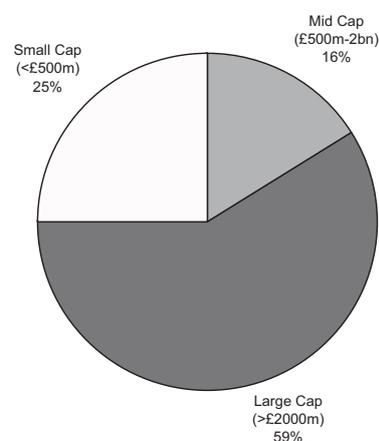
The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2007 *continued*

Portfolio Weightings

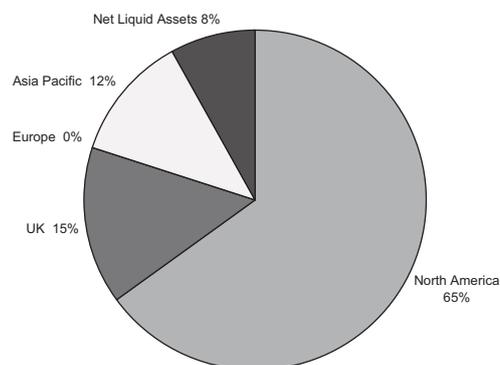
BREAKDOWN BY MARKET CAP AS AT 31 DECEMBER 2007

	31/12/06	31/12/07
Large Cap	40%	59%
Mid Cap	25%	16%
Small Cap	35%	25%



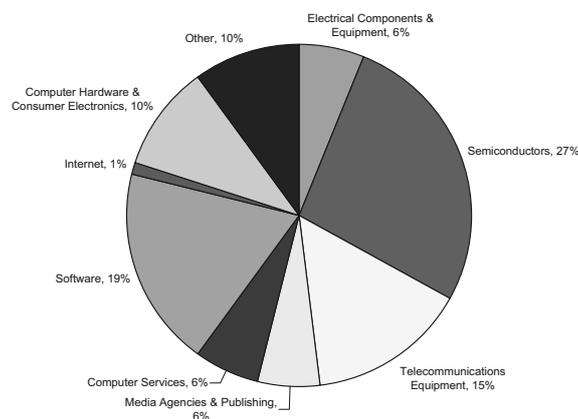
GEOGRAPHIC BREAKDOWN AS AT 31 DECEMBER 2007

	31/12/06	31/12/07
North America	63%	65%
UK	22%	15%
Europe	0%	0%
Asia Pacific	8%	12%
Net Liquid Assets	6%	8%



SECTOR BREAKDOWN AS AT 31 DECEMBER 2007

	31/12/06	31/12/07
Electrical Components & Equipments	5%	6%
Semiconductors	32%	27%
Telecommunications Equipment	11%	15%
Media Agencies & Publishing	10%	6%
Computer Services	6%	6%
Software	15%	19%
Internet	2%	1%
Computer Hardware & Consumer Electronics	10%	10%
Other	9%	10%



Source: Herald Investment Management Limited.

HERALD INVESTMENT FUND PLC
The Herald Worldwide Fund
DIRECTORS' REPORT for the year ended 31 December 2007

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2007.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with Irish Law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these 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; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Acts 1963 to 2006 and the European Communities (Undertakings for Collective Investments in Transferable Securities) Regulations 2003 (as amended). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2006.

Principal Activities and Future Developments

The Company has been approved by the Irish Financial Regulator as an investment company pursuant to Part XIII of the Companies Act, 1990.

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.

Risk Management objectives and policies

The main risks arising from the Company's financial instruments are market, currency, interest rate, price, liquidity and counterparty credit risks as given in the notes to these accounts.

Events since the year end

There have been no significant events affecting the Company since the year end.

Results and Dividends

The results and dividends for the year are set out in the profit and loss account on page 16.

Directors and Secretary

The Directors who held office during the year under review were:

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

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DIRECTORS' REPORT for the year ended 31 December 2007 *continued*

Directors' Interests in Shares and Contracts

	2007	2006
William Backhouse and connected persons	12,597.47	12,597.47 shares
David Boyle and connected persons	12,182.21	12,182.21 shares

None of the Directors other than those listed above who held office at the year end had any interests in the Shares of the Company at that date or at any time during the financial year.

Transactions Involving Directors

There are no contracts or arrangements of any significance in relation to the business of the Company in which the Directors or Company Secretary had any interest as defined in the Companies Act, 1990 at any time during the financial year.

Books of Account

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The Books of Account of the Company are maintained at:

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

Independent Auditors

In accordance with Section 160(2) of the Companies Act 1963, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors will continue in office.

On Behalf of The Board of Directors

Alan Jeffers

Adrian Waters

28 February 2008

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

STATEMENT OF CUSTODIAN'S RESPONSIBILITIES for the year ended 31 December 2007

The European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended), ("the Regulations"), require the Custodian to take reasonable care so as to ensure that the Fund is managed in accordance with the Regulations and Memorandum and Articles of Association. In particular, the Custodian must:

- satisfy itself on a continuing basis on reasonable grounds and report that the Manager has managed the Company in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Regulations and Memorandum and Articles of Association;
- take into its custody or under its control, all the assets of the Company and hold them in trust for the Shareholders in accordance with the Regulations and Memorandum and Articles of Association; and
- satisfy itself that the valuation of the Shares of the Company and that the sale, issue, repurchase and redemption of Shares of the Company are being carried out in accordance with the Regulations and Memorandum and Articles of Association.

HERALD INVESTMENT FUND PLC

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CUSTODIAN'S REPORT to the Shareholders of Herald Investment Fund plc (the "Company") for the year ended 31 December 2007

We have enquired into the conduct of the Manager in respect of the Company for the year ended 31 December 2007, in our capacity as Custodian to the Company.

This report including the opinion, has been prepared for and solely distributed to the shareholders in the Company as a body, in accordance with UCITS Notice 4.1 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Basis of Custodian Opinion

The Custodian conducts its reviews, on a test basis, to ensure that it adheres to the trustee duties outlined in UCITS Notice 4.1 and to ensure that the Company is managed in all material respects in accordance with the Company's constitutional documentation and the appropriate regulations.

The Custodian ensures, on a test basis, that the Company complies with the limitations imposed on investment and borrowing powers by the provisions of the Company's constitutional documentation and the appropriate regulations.

Opinion

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

- in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Company's Memorandum and Articles of Association, and by the Financial Regulator under the powers granted to the Financial Regulator by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended), ("the Regulations"); and
- 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 (as amended), ("the Regulations").

For and On Behalf of

The Governor and Company of the Bank of Ireland
Lower Baggot Street, Dublin 2, Ireland

28 February 2008

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

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

We have audited the Company's Financial Statements for the year ended 31 December 2007 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Assets Attributable to Holders of redeemable participating shares, the Schedule 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 Annual Report and the Financial Statements in accordance with applicable Irish law and 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 relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended). We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Financial Statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account; and
- whether the Directors' report is consistent with the Financial Statements.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual 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.

HERALD INVESTMENT FUND PLC

INDEPENDENT AUDITORS' REPORT for the year ended 31 December 2007 *continued*

Opinion

In our opinion the Financial Statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs at 31 December 2007 and of its results for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended).

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's Financial Statements are in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the Financial Statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
28 February 2008

HERALD INVESTMENT FUND PLC
The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	Note	Year ended 31/12/07 GBP	Year ended 31/12/06 GBP
Income			
Operating income	3	104,642	94,746
Net gains on financial assets and liabilities at fair value through profit or loss		521,768	587,096
Total investment income		<u>626,410</u>	<u>681,842</u>
Operating expenses	4	(233,329)	(248,831)
Profit for the year before tax		393,081	433,011
Non-reclaimable withholding tax		(19,348)	(13,428)
Profit for the year after tax		<u>373,733</u>	<u>419,583</u>
Increase in Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices			
		<u>373,733</u>	<u>419,583</u>
Adjustment from bid to dealing prices		(10,038)	(17,405)
Increase in Net Assets Attributable to Holders of Redeemable Participating Shares at dealing prices			
		<u><u>363,695</u></u>	<u><u>402,178</u></u>

There are no recognised gains or losses arising in the year other than the increase in Net Assets Attributable to Holders of Redeemable Participating Shares of the Company. In arriving at the results of the financial year, all amounts above relate to continuing operations.

The accompanying notes form an integral part of the Financial Statements.

On Behalf of the Board of Directors

Alan Jeffers

Adrian Waters

28 February 2008

HERALD INVESTMENT FUND PLC
The Herald Worldwide Fund
BALANCE SHEET as at 31 December 2007

	Note	AS AT 31/12/07 GBP	AS AT 31/12/06 GBP
ASSETS			
Cash and bank balances	5	819,263	884,186
Debtors	6	725	5,845
Financial assets at fair value through profit or loss	1	8,615,877	11,542,627
TOTAL ASSETS		9,435,865	12,432,658
LIABILITIES			
Creditors - amounts falling due within one year	7	(56,228)	(94,413)
Net Assets Attributable to Holders of Redeemable Participating Shares at bid prices		9,379,637	12,338,245
Adjustment from bid to dealing prices		27,718	37,756
Net Assets Attributable to Holders of Redeemable Participating Shares at dealing prices		9,407,355	12,376,001

The accompanying notes form an integral part of the Financial Statements.

On Behalf of the Board of Directors

Alan Jeffers

Adrian Waters

28 February 2008

HERALD INVESTMENT FUND PLC
Statement of Changes in Net Assets Attributable to
Holder of Redeemable Participating Shares for the year ended 31 December 2007

	Year ended 31/12/07 GBP	Year ended 31/12/06 GBP
Net Assets Attributable to Holders of Redeemable Participating Shares at beginning of year	12,376,001	9,730,734
Increase in Net Assets Attributable to Holders of Redeemable Participating Shares resulting from operations	363,695	402,178
Amounts received on issue of Redeemable Participating Shares	42,632	3,511,721
Amounts paid on redemption of Redeemable Participating Shares	(3,374,973)	(1,268,632)
(Decrease)/increase in Net Assets resulting from Share transactions	(3,332,341)	2,243,089
Net (decrease)/increase in shareholders' funds	(2,968,646)	2,645,267
Net Assets Attributable to Holders of Redeemable Participating Shares at end of year	9,407,355	12,376,001

The accompanying notes form an integral part of the Financial Statements.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007

1. Significant Accounting Policies

a) Basis of preparation

These Financial Statements have been prepared in accordance with Generally Accepted Accounting Policies in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (as amended). 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 ("ASB").

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through the profit or loss.

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies have been applied consistently by the Company and are consistent with those in the previous year with the exception of the financial instrument disclosure requirements in FRS 29 which was adopted at the beginning of the year.

The information required by Financial Reporting Standard (FRS) 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 Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

The Company has availed of the exemption available to open-ended investment companies under FRS 1 not to prepare a Cash Flow Statement.

b) Adoption of New Accounting Standards

The Company adopted FRS29 "Financial Instruments: Disclosures" during the year. It is effective for accounting periods commencing on or after 1 January 2007.

c) Investments

(i) Classification and Recognition

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

-Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold.

-Financial assets and financial liabilities designated at fair value through profit or loss at inception.

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument, and all significant rights and access to the benefits from the assets, and the exposure to the risks inherent in those benefits, are transferred to the Company. The Company derecognises financial assets and financial liabilities when all such benefits and risks are transferred from the Company.

Financial assets that are classified as loans and receivables include deposits and accounts receivable. Financial liabilities that are not designated at fair value through profit or loss include accounts payable and financial liabilities arising on Redeemable Shares.

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses, arising from changes in fair value of the financial assets or financial liabilities, are recorded.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

1. Significant Accounting Policies *continued*

c) Investments *continued*

(ii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Profit and Loss Account.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities, arising from the Redeemable Shares issued by the Company, are carried at the redemption amount representing the Investors' right to a residual interest in the Company's Assets.

(iii) Fair value measurement principles

Equities -Equity investments listed on a recognised 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.

If for specific investments the close of business bid prices do not, in the opinion of the Investment 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.

(iv) Specific Instruments

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

d) Income

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. 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.

Bank deposit interest is accounted for on an effective interest basis.

e) Fees and charges

In accordance with the Prospectus, management fees, administration fees, custody fees and other operating expenses are charged to the Profit and Loss Account on an accruals basis.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

1. Significant Accounting Policies *continued*

f) Redeemable Participating Shares

The Company issues redeemable shares, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable shares can be put back to the Company at any time for cash equal to a proportionate share of the Company's net asset value. The redeemable share is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the share back to the Company.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Company's net asset value per share at the time of issue or redemption. The Company's net asset value per share is calculated by dividing the net assets attributable to the holders of redeemable shares with the total number of outstanding redeemable shares. In accordance with the provisions of the Company's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

All issued redeemable shares are fully paid and have been admitted to the official listing of the Irish Stock Exchange. The Company's capital is represented by these redeemable shares with no par value and with each carrying one vote. They are entitled to dividends and to payment of a proportionate share based on the Company's net asset value per share on the redemption date.

g) Taxation

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin.

h) Foreign Exchange

(i) Functional and presentation currency

The Company's investors are mainly from the UK, with the subscriptions and redemptions of the redeemable shares denominated in GBP£. The primary activity of the Company is to invest in US securities and derivatives and to offer UK investors a high return compared to other products available in the UK. The performance of the Company is measured and reported to the investors in GBP£. The Board of Directors considers the GBP£ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in GBP£, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit and loss are recognised in the Profit and Loss account within the fair value net gain or loss.

Proceeds from subscriptions and amounts paid on redemption of redeemable preference shares are translated at actual rates.

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Company:

	AS AT 31/12/07	AS AT 31/12/06
Euro	1.3615	1.4842
Korean Won	1,863.3016	1,820.1498
Malaysian Ringgit	6.5830	6.9048
Norwegian Krone	10.8087	12.1859
Taiwan Dollars	64.5641	63.7738
US Dollars	1.9906	1.9572

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

2. Financial Risk Management

In accordance with the corporate objective of maximising capital appreciation, the Company invests in securities on a worldwide basis. The Company has a facility to use contracts for differences -there were, however, no open positions at year end. The Company's other financial instruments consist of cash, short term debtors and creditors.

The main risks arising from the Company's financial instruments are as follows:

A. Market Risk -comprising,

- (i) Market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movement;
- (ii) Interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates; and,
- (iii) Foreign currency risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

B. Credit Risk -being the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

C. Liquidity Risk -being the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Day-to-day risk management is undertaken by the Investment Manager. Risk management issues are reported separately to the Directors by the Administrator and Custodian monthly.

The Company is subject to a number of investment restrictions imposed by external regulators or self-imposed by its prospectus and Memorandum and Articles of Association. These restrictions are intended to reduce the risks associated with the Company's financial instruments.

Compliance by the Company with the investment restrictions imposed by the European Communities (Undertakings for Collective investment in Transferable Securities) Regulations, 2003, as amended, is monitored weekly and reported to the Directors monthly by the Custodian. The Investment Manager also reports monthly to the Directors on whether the Company has been operated in accordance with the investment guidelines as defined in the prospectus as well as any self-imposed limitations.

These policies for managing risk have been applied throughout the year.

A. Market Risk

(i) Other Price Risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the corporate objective. Securities held by the Company are valued at bid prices.

A full list of the Company's investments is given in the Schedule of Investments, on pages 28 to 29. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained in the Investment Manager's Report, on pages 5 to 9. The Company has a number of investment restrictions which aim to limit risk by ensuring a degree of diversification. For instance, the Company will hold a maximum of 10% of the Net Asset Value (NAV) in securities or money market instruments issued by the same body, and the total of securities or money market instruments which are greater than 5% of the NAV are not to exceed 40% of the NAV in aggregate.

The Company may have an exposure in Contracts For Difference (CFD's) of up to 30% of the NAV of the Company in nominal value terms. CFD's are synthetic instruments which mirror the profit (or loss) effect of holding (or selling) equities directly without buying the actual securities themselves. The Company has a CFD Risk Management Process approved by the Irish Financial Regulator. On individual positions, the Company can only invest 10% of NAV per issuer. There were no Contracts For Difference held at year end or during the period.

Some of the recognised exchanges on which the Company may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Company 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 Company 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 Company. Where the Company acquires or values securities on the over-the-counter market there is no guarantee that the Company will be able to realise such securities at that valuation price due to the nature of the over-the-counter market. There were no securities held on the over-the-counter market at the year end.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

2. Financial Risk Management *continued*

A. Market Risk *continued*

Other Price Risk – Sensitivity Analysis

55% of the Company's equity investments are listed on the NASDAQ Stock Exchange, 16% are on the New York Stock Exchange, 14% are on the main list of the London Stock Exchange with a further 2% on AIM, and other stock exchanges account for 13%. A 10% increase in stock prices at 31 December 2007 would have increased total net assets and net return on ordinary activities after taxation by £861,588 (2006 £1,154,263). A decrease of 10% would have had an equal but opposite effect. The portfolio does not target any exchange as a benchmark, and the performance of the portfolio does not track generally used market indices.

(ii) Interest Rate Risk

The Company did not employ leverage and did not borrow for liquidity purposes in the year ended 31 December 2007. The Company was, therefore, not exposed to interest rate risk from unfavourable fluctuations in interest rates. The majority of the Company's financial assets and liabilities are non-interest bearing. The Company has not invested in interest bearing securities in either of the last two years. Excess cash is invested in instantly accessible accounts at prevailing interest rates.

(iii) Foreign Currency Risk

The Company's reporting currency is sterling, but investments are made in overseas markets as well as the United Kingdom and the Net Asset Value can be affected by movements in foreign currency exchange rates.

Furthermore, many companies trade internationally both through foreign subsidiaries, and through exports. The greatest foreign currency risk occurs when companies have a divergence in currencies for costs and revenues. A much less risky exposure to currency is straight translation of sales and profits. The Investment Manager's report breaks down the portfolio by geographic listing. However the location of the stock market quote only has a limited correlation to the costs, revenues and even activities of those companies, and so this note should not be regarded as a reliable guide to the sensitivity of the portfolio to currency movements. For example, at times when US\$ is weak, portfolio holdings in UK companies with US\$ revenues and sterling costs would significantly be affected.

Exposure to currency risk through asset allocation by currency of listing is indicated below – all figures are stated in GBP.

31 December 2007

Financial Assets	EUR	KRW	MYR	USD
Non-monetary assets				
Financial assets held at fair value through profit or loss	-	751,892	379,951	6,080,169
Monetary assets				
Cash and bank balances	8	-	-	10
TOTAL	8	751,892	379,951	6,080,179

31 December 2006

Financial Assets				
Non-monetary assets				
Financial assets held at fair value through profit or loss	-	632,118	323,659	7,752,450
Monetary assets				
Cash and bank balances	-	-	-	8
TOTAL	-	632,118	323,659	7,752,458
Financial Liabilities				
Cash and bank balances	(18)	-	-	-

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

2. Financial Risk Management *continued*

Foreign currency risk – Sensitivity Analysis

At 31 December 2007, had sterling strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and profit for the year after tax would have decreased by GBP360,602 (31 December 2006: GBP435,411) based solely on translation of securities quoted in currencies overseas. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2006.

However, companies whose cost base diverges in currency terms from its sales will in the longer term have a significantly greater effect on valuation than simple translation. In the short term, investee companies generally cover their currency exposure to varying degrees. There is insufficient publicly disclosed information to quantify this, but in the long term this effect is expected to dwarf simple translation of foreign listings in terms of both risk and reward, because many investee companies trade globally. Furthermore, the country of listing is not necessarily an indication of the geography of some or even any operational activities for investee companies. At 31 December 2007, the Company did not use financial instruments to protect against currency movements.

B. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment which it has entered into with the Company. The Manager has a monitoring procedure whereby counterparty risk is monitored on an ongoing basis.

There is a specific credit risk for CFDs in that initial margin has to be paid to cover potential losses (on set up) and variation margin on adverse price movements (during the term of the CFD). In addition, it should be noted the Company could suffer losses in the event of the CFD issuer's default or insolvency. Exposure to any one OTC counterparty will be limited to 5% of NAV (or 10% in the case of UCITS qualifying institutions) in respect of CFDs. During the year, the Company entered into an agreement with Merrill Lynch to trade CFDs. No such contracts had been entered into at the reporting date, however, going forward it is the intention of the Investment Manager to enter into CFD agreements.

At the reporting date, all cash and securities were held in a segregated account with The Governor and Company of the Bank of Ireland. The Bank of Ireland is rated A+ for long term debt.

C. Liquidity Risk

The Company's policy with regard to liquidity is to provide a degree of flexibility so that the portfolio can be repositioned when appropriate and that most of the assets can be realised without an excessive discount to the market price. The Company had no holding in unquoted securities as at 31 December 2007.

The Company is an open-ended company and shareholders may redeem their investment without notice on any weekly dealing day. Redemption fees are unlikely to discourage redemption as they are low and apply only in the first two years, and the directors have only limited powers to defer redemption requests. The Company, therefore, has a material exposure to the liquidity risk which could result from being forced to realise assets to meet large unexpected redemption requests. For this reason it invests either in cash or actively traded securities that can be readily disposed of. The Company has the ability if required to borrow in the short term to ensure settlement of redemptions.

In practice, liquidity in investee companies is imperfect, particularly those with a market value of less than £100 million. To reduce this liquidity risk, it is the policy, of the Company, to diversify the holdings and generally to restrict the holding in any one company to less than 10% of the share capital of that Company. Furthermore, the guideline is for no single investment to account for more than 5% of the assets of the Company.

The market valuation of each underlying security gives an indication of value, but the price at which an investment can be made or realised can diverge materially from the bid or offer price depending on market conditions generally and particularly to each investment.

All of the Company's liabilities are repayable within one month.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

3. Operating Income	Year ended 31/12/07 GBP	Year ended 31/12/06 GBP
Deposit interest	22,444	8,514
Dividend income	82,198	80,070
Sundry income	—	6,162
	<u>104,642</u>	<u>94,746</u>
	<u><u>104,642</u></u>	<u><u>94,746</u></u>
4. Operating Expenses	Year ended 31/12/07 GBP	Year ended 31/12/06 GBP
Administration fees	55,508	54,112
Auditors' fees	13,000	18,039
Custody fees	2,617	5,701
Directors' fees	34,605	29,740
Investment Management fees	81,197	88,218
Other expenses	46,402	53,021
	<u>233,329</u>	<u>248,831</u>
	<u><u>233,329</u></u>	<u><u>248,831</u></u>
5. Cash and Bank Balances	As at 31/12/07 GBP	As at 31/12/06 GBP
Governor and Company of the Bank of Ireland	819,263	884,186
	<u>819,263</u>	<u>884,186</u>
	<u><u>819,263</u></u>	<u><u>884,186</u></u>
6. Debtors	As at 31/12/07 GBP	As at 31/12/06 GBP
Dividend income	—	5,845
Prepaid expenses	725	—
	<u>725</u>	<u>5,845</u>
	<u><u>725</u></u>	<u><u>5,845</u></u>
7. Creditors (amounts falling due within one year)	As at 31/12/07 GBP	As at 31/12/06 GBP
Other expenses	56,228	94,413
	<u>56,228</u>	<u>94,413</u>
	<u><u>56,228</u></u>	<u><u>94,413</u></u>
8. Share Capital		

The share capital of the Company shall at all times equal the Net Asset Value. Each of the Shares entitles the Shareholder to participate equally on a pro rata basis in the dividends and net assets of the fund in respect of which they are issued, save in the case of dividends declared prior to becoming a Shareholder. The proceeds from the issue of Shares shall be applied in the books of the Company to the fund and shall be used in the acquisition on behalf of the fund of assets in which the fund may invest. The records and accounts of each fund shall be maintained separately. Each of the Shares entitles the holder to attend and vote at meetings of the Company and of the fund represented by those Shares.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

8. Share Capital *continued*

As at 31 December 2007, 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.

Shares in Issue	Year ended 31/12/07 GBP	Year ended 31/12/06 GBP
Number of Class A Shares Issued and Fully Paid		
Balance at beginning of year	1,060,561	1,074,627
Issued during year	3,513	161
Redeemed during year	(278,084)	(14,227)
	<hr/>	<hr/>
Total number of Class A Shares in issue at end of year	785,990	1,060,561
	<hr/> <hr/>	<hr/> <hr/>

9. Net Asset Value

	As at Year ended 31/12/07 GBP	As at Year ended 31/12/06 GBP	As at Year ended 31/12/05 GBP
Net Asset Value	9,407,355	12,376,001	9,730,734
Net Asset Value per Class A Share	11.97	11.67	11.14

10. Fees

Investment Management

The Investment Manager will receive an investment management fee (expressed as a percentage of the Fund's Net Asset Value attributable to the relevant Class) of 0.75 per cent for Class A Shares and 1.25 per cent for Class B Shares. The investment management fee will be paid monthly in arrears and shall accrue on each Dealing Day. Other classes may be established within a Fund which may be subject to different fee structures.

Performance Fee

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 previous highest NAV adjusted to take account of new subscriptions, repurchases or distributions) of the Fund over the relevant period. The opening NAV per share this financial year was GBP11.67 and the closing GBP11.97. To date the previous highest NAV per share at a financial year end was reached on 31 December 1999 when the NAV was GBP19.83 per Share. Hence no performance fee was earned during the year.

Administration Fee

The Administrator will receive a fee of up to 0.12 per cent per annum on the first GBP25 million of the Net Asset Value of the Fund, 0.10 per cent per annum on the next GBP25 million and 0.08 per cent per annum on that portion of the Net Asset Value of the Fund which exceeds GBP50 million, subject to a minimum fee of GBP5,000 per month per fund (plus value added tax, if any, thereon). The Administrator's fee shall be paid monthly in arrears and shall accrue on each Dealing Day based on the Net Asset Value of the Fund on each Dealing Day. The Administrator shall be reimbursed any reasonable out-of-pocket expenses incurred.

Custodian Fee

The Custodian will be entitled to receive out of the assets of each Fund an annual fee, accrued daily and payable monthly in arrears, based on the number of transactions and the Net asset Value of the Fund, of up to 0.015 per cent per annum of the Net Asset Value of the Fund. In addition, the Custodian will be reimbursed any reasonable out of pocket expenses and shall be reimbursed all sub-custodial and transactional fees and expenses which will be charged at normal commercial rates.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 *continued*

11. Related Party Transactions

Financial Reporting Standard 8 "Related Party Transactions" (FRS 8) requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity.

Investment Manager

Related parties include the Investment Manager. Amounts earned by the Investment Manager are disclosed in Note 4.

Herald Investment Management Limited holds investments in Herald Investment Fund plc. At 31 December 2007, the number of shares held was 89,321.75.

Herald Investment Trust plc

Herald Investment Fund plc invests into the Herald Investment Trust plc. The value of this holding as at 31 December 2007 is GBP385,000 (2006 : GBP477,500).

Directors' fee

The total Directors' fee is disclosed in Note 4.

12. Taxation

The Company will not be liable for tax in respect of its income and gains, other than on the occurrence of a chargeable event. A chargeable event includes any distribution or any redemption or transfer of Shares.

A chargeable event does not include:

i) Any transactions in relation to Redeemable Participating Shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or

ii) An exchange of Redeemable Participating Shares representing one Sub-fund for another Sub-fund of the Company;

or

iii) An exchange of Redeemable Participating Shares arising on a qualifying amalgamation or reconstruction of the Company with another fund.

A chargeable event will not occur in respect of Redeemable Participating Shareholders who are neither resident nor ordinarily resident in Ireland and who have provided the Company with a relevant declaration to that effect. There were no chargeable events during the year.

Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its Shareholders. A chargeable event includes any distribution payment to shareholders or any encashment, redemption or transfer of shares or an ending of a Relevant Period.

13. Soft Commission Arrangements

There are no soft commission arrangements affecting this Company during the year.

14. Approval of Financial Statements

The Financial Statements were approved by the board on 28 February 2008.

HERALD INVESTMENT FUND PLC

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SCHEDULE OF INVESTMENTS as at 31 December 2007

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
MALAYSIA			
<i>PUBLISHING</i>			
740,000	Star Publications (Malaysia) Berhad Com MYR1.00	379,951	4.04
MALAYSIA - TOTAL		379,951	4.04
SOUTH KOREA			
<i>CONSUMER ELECTRONICS</i>			
7,000	LG Electronics Incorporated Com KRW5000.00	377,556	4.01
<i>SEMICONDUCTORS</i>			
1,250	Samsung Electronics Com KRW5000.00	374,336	3.98
SOUTH KOREA - TOTAL		751,892	7.99
UNITED KINGDOM			
<i>EQUITY INVESTMENT INSTRUMENTS</i>			
125,000	Herald Investment Trust Ord GBP0.25	385,000	4.09
<i>MEDIA AGENCIES</i>			
200,000	Thomson Intermedia Ord GBP0.25	170,000	1.81
<i>SEMICONDUCTORS</i>			
210,000	Arm Holdings Ord GBP0.0005	260,400	2.77
395,500	Imagination Technologies Group Ord GBP0.10	486,465	5.17
<i>SOFTWARE</i>			
340,000	Alphameric Ord GBP0.025	102,000	1.08
UNITED KINGDOM - TOTAL		1,403,865	14.92
UNITED STATES			
<i>COMPUTER HARDWARE</i>			
5,000	Apple Incorporated Com NPV	497,513	5.29
<i>COMPUTER SERVICES</i>			
7,500	IBM Corporation Com USD0.20	406,573	4.32
54,000	Iona Technologies ADS Rep 1 Ord EUR0.0025	88,436	0.94
<i>DEFENCE</i>			
22,000	Flir Systems Incorporated Com USD0.01	345,926	3.68
<i>ELECTRICAL COMPONENTS & EQUIPMENT</i>			
17,000	Arrow Electronics Com USD1.00	335,457	3.57
20,000	Jabil Circuit Incorporated Com USD0.001	153,120	1.63
<i>INTERNET</i>			
13,000	Netease.Com Incorporated ADR Rep 25 Com USD0.001	123,887	1.32
<i>SEMICONDUCTORS</i>			
13,300	Analog Devices Incorporated Com USD0.167	211,734	2.25
22,000	Microchip Technology Com USD0.001	347,252	3.69
50,000	Mips Technologies Incorporated Com USD0.001	123,832	1.32
7,000	Sandisk Corporation Com USD0.001	116,467	1.24
15,000	Texas Instruments Com USD1.00	251,231	2.67
12,000	Xilinx Incorporated Com USD0.01	131,478	1.40

HERALD INVESTMENT FUND PLC
The Herald Worldwide Fund
SCHEDULE OF INVESTMENTS as at 31 December 2007 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
<i>SOFTWARE</i>			
20,000	Citrix Systems Incorporated Com USD0.001	381,895	4.06
20,000	Cognos Incorporated Com NPV	578,318	6.15
20,000	Macrovision Corporation Com USD0.001	184,266	1.96
21,000	Microsoft Corporation Com USD0.0000125	375,460	3.99
<i>TELECOMMUNICATIONS EQUIPMENT</i>			
28,000	Cisco Systems Com USD0.001	380,348	4.04
21,500	F5 Network Incorporated Com NPV	307,282	3.26
43,000	Foundry Networks Incorporated Com USD0.0001	377,594	4.01
190,000	MRV Communications Com USD0.0017	220,485	2.34
<i>TOYS</i>			
10,000	T-HQ Incorporated Com USD0.01	141,615	1.51
UNITED STATES - TOTAL		6,080,169	64.64
TOTAL VALUE OF INVESTMENTS		8,615,877	91.59
(Cost: GBP 8,045,228)			
CASH		819,263	8.71
OTHER NET LIABILITIES		(55,503)	(0.59)
TOTAL VALUE OF FUND AT BID PRICES		9,379,637	99.71
Adjustment from bid market prices to last traded market prices		27,718	0.29
TOTAL VALUE OF FUND AT LAST TRADED PRICES		9,407,355	100.00

Analysis of Total Assets

	%
Transferable securities admitted to an official stock exchange listing	91.59
Current assets	8.41
	<u>100.00</u>

The Industry Classification Benchmark ("ICB") is jointly owned by FTSE and Dow Jones and has been licensed for use. FTSE and Dow Jones do not accept liability to any person for any loss or damage arising out of any error or omission in the ICB.

HERALD INVESTMENT FUND PLC

The Herald Worldwide Fund

SCHEDULE OF PORTFOLIO CHANGES (Unaudited) for the year ended 31 December 2007

MAJOR PURCHASES	GBP VALUE
F5 Network Incorporated Com NPV	306,704
Sandisk Corporation Com USD0.001	151,110
Alphameric Ord GBP0.025	96,795
Imagination Technologies Group Ord GBP0.10	57,128

MAJOR SALES	GBP VALUE
On Semiconductor Corporation Com USD0.01	514,872
Imagination Technologies Group Ord GBP0.10	489,897
Amstrad Ord GBP0.10	442,705
Digitas Incorporated Com NPV	410,330
Flir Systems Incorporated Com USD0.01	346,291
Texas Instruments Com USD1.00	259,252
Apple Incorporated Com NPV	257,934
Gresham Computing Ord GBP0.05	237,354
Qualcomm Com USD0.0001	234,330
Stec Incorporated Com USD0.001	189,823
IBM Corporation Com USD0.20	172,461
Plasmon Ord GBP0.05	139,908
Manhattan Associates Com USD0.01	116,321
Analog Devices Incorporated Com USD0.167	105,650
Netease.Com Incorporated ADR Rep 25 Com USD0.0001	96,758
United Microelectronics ADR Rep 5 Ord TWD10.00	68,376

