

HERALD INVESTMENT FUND PLC
– The Herald Worldwide Fund

ANNUAL REPORT

for year ended 31 December 2008

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

ANNUAL REPORT for year ended 31 December 2008

Organisation	2
Background to the Company.....	3
Investment Manager's Report	5
Directors' Report	10
Statement of Custodian's Responsibilities	12
Custodian's Report	12
Independent Auditors' Report	13
Profit and Loss Account.....	15
Balance Sheet	16
Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders	17
Notes to the Financial Statements	18
Schedule of Investments.....	26
Schedule of Portfolio Changes (Unaudited)	28

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) *
* Independent Directors

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

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

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 forgoing 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,
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

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.

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

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 2008

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 GBP6.98m.

Capital performance* for the 12 months to 31 December 2008

Herald Worldwide Fund NAV	-17.96%
Global	
MSCI World Information Technology	-24.40%
United States	
Russell 1000 Large Cap Technology	-22.30%
Russell 2000 Small Cap Technology	-21.50%
NASDAQ Composite	-19.10%
S&P 500	-16.30%
Russell 2000 Small Cap	-11.30%
United Kingdom	
FTSE TechMARK 100	-25.80%
FTSE Information Technology	-32.50%
FTSE 100	-31.30%
FTSE Small Cap	-45.80%
Hoare Govett Small Companies (inc. AIM)	-49.40%
Europe	
NEMAX	-33.80%
FTSE EUROFIRST 300	-28.10%
DAX	-20.90%
CAC 40	-25.40%
Asia Pacific	
KOSDAQ	-52.90%
Kuala Lumpur Composite	-21.10%
Nikkei 225	-0.10%
Hang Seng	-29.20%

*All returns £STG adjusted.

Source: Bloomberg.

Market Summary

The financial system is currently in the process of unwinding the leverage that is threatening its stability. The removal of the excess debt from the system that has fuelled both consumer and corporate borrowing and spending will undoubtedly have painful repercussions for technology too. The universal reach of the crisis also means that emerging markets, facing the challenge of their manufacturing based economies, cannot offer refuge. Luckily, the bitter experiences of the tech bubble have helped to ensure that companies in the sector are not overstretched - operationally or financially- and that veteran management teams are prepared to get leaner and meaner with costs. Comparatively again, a higher proportion of recurring revenues as well as the increased importance of IT systems in our everyday working and private life has added an element of defensiveness to the sector. Nevertheless the unprecedented shock to the system engenders fear and caution, which in turn alters spending patterns and appetite.

As a result, the sector has been de-rated significantly. While it is no easy to predict the duration of the slump in demand we believe that we can continue to identify value in our sector.

United States

In 2008 the US portfolio's sterling value declined by an estimated 12.8%, strongly outperforming the Russell 1000 Large Cap Technology index, as well as all other relevant US indices. Performance has been boosted by stocks such as Netease, Flir Systems, Xilinx and F5 Networks all of which have finished the year in the black in sterling terms. Chinese, U.S. listed, Netease has continued to ride the massive wave of new internet users in China who have reportedly grown by 40+% in the year and are now close to 300m (~120m of whom being also mobile internet users). The popularity of its web portals, online games and mobile internet services has seen all its business segments grow.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2008 *continued*

United States *continued*

Defence spending has been robust as witnessed by both Flir Systems, which has continued to win sizeable new defence contracts as well as extend existing ones around the world, and by Xilinx (-15% of revenues). The latter has also been benefiting from relatively stable telecom infrastructure spend (especially wireless) which is traditionally less sensitive to economic fluctuations than other types of technology capital expenditure. F5 Networks, on the other hand, has paddled upriver against a slowing enterprise IT spending environment driven by a very strong product lineup (30+% recurring revenues and improving margins). The company's leadership in application delivery networking, a key facilitator of the growing popularity of SaaS (Software-as-a-Service) business models partly explains F5's bucking of the industry trend. The portfolio's other enterprise IT companies, Cisco, Microsoft and Citrix have fared less well but still managed to outperform the market due to their respective market dominance, global presence and strong balance sheets (Cisco & Microsoft) as well as exposure to the key growth area of virtualisation (Microsoft & Cisco).

The less operationally flexible hardware and semiconductor related stocks, with the exception of Xilinx, have been hit harder, as the market took fright at slowing consumer demand for electronics and tighter enterprise budgets that are leading to lower capacity utilisation numbers and/or potential inventory build-ups and steep average selling price (ASP) erosions similar to those already seen in the memory semiconductor sector. The US portfolio's largest holding, Microchip Technology, has been the second best performer in the sector as its microcontroller products' application diversity limits its exposure to risky areas such as handsets and PCs.

Significant stock transactions in the period included the sale of IBM, mobile phone chipmaker Texas Instruments and gaming company THQ as well as the 'compulsory sale' (acquisitions) of Cognos, Foundry Networks and Iona Technologies. The only new addition to the portfolio has been Intel Corp. in view of its attractive valuation given the increasing technological and market lead over its beleaguered, smaller rival, AMD, as well as the projected growth of the (loosely defined) netbook category.

United Kingdom

The mostly small and micro cap UK portfolio declined by an estimated 47.2% in the period thus performing in line with the relevant technology and general smaller cap UK indices. In 2008 the UK allocation was increased with positions bought in Acal, a UK electronics distributor and Phoenix IT, an IT infrastructure support and disaster recovery services provider, both of which had been trading at very attractive valuations given the strength of their businesses. Additionally, the investment manager took advantage of some, in our view unjustifiably, high credit spreads in the UK corporate bond market by establishing an (indirectly equity) position on Vodafone Group by purchasing one of its higher yielding bonds.

These purchases have thus far all paid off, with Phoenix IT and the Vodafone bond having actually generated positive returns but the gains were offset by the poor performance of the existing portfolio holdings, Alphameric, Ebiquity, Herald Investment Trust, Imagination Technologies and to a lesser degree ARM Holdings. Imagination had staged a near 100% rally by year end following back-to-back announcements that Apple and Intel had bought shares in the company but the stock still ended the period down ~50%, partly due to the worsening consumer electronics environment (that has affected semi IP peers ARM and MIPS in the US too) but also due to the lack of liquidity in the period that has impacted all UK small caps, as evidenced by the widening discount to NAV of the Herald Investment Fund.

Far East and Europe

The portfolio in the Far East which at year end accounted for c.9% of net assets has finished the year up 4.2% (est.), greatly outperforming the regional Korean and Malaysian indices. The reason for the Far East's reduction in weighting from the start of the year has been the active decrease in exposure to Korea. Firstly, the LG Electronics position was cut substantially in Q1 after the stock rallied on positive results from its handset and appliances businesses. Weighted down by the global economy's effect on consumer electronics and especially big ticket items such as TVs and home appliances, LG's share price later deteriorated by roughly 50% from its peak. In November, the holding in Samsung Electronics in Korea was also sold after the investment manager turned bearish on virtually all of the company's businesses.

Although a long term believer in Samsung's dominance in the DRAM and NAND memory markets, the long-running and painful oversupply environment is now compounded by a globally deteriorating PC and handset market which impacts demand for memory chips. Additionally, Samsung's chip manufacturing business, as well as its consumer electronics (handsets, TVs etc) divisions, will inevitably go through rougher times.

Following a phenomenally resilient performance, returning ~25% (sterling) in 2008, English speaking Malaysian newspaper company, Star Publications, has finished the year being the fund's largest holding. 2008 saw the company grow on the back of a healthy advertising environment, partially aided by the country's General Elections and sporting events such as the Beijing Olympics. However, our worries of an advertising expenditure slowdown in 2009 have been compounded by the departure of its long-serving CEO who we credit to a large extent with the success of Star. This has persuaded the investment manager to very recently exit the position.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2008 *continued*

Far East and Europe *continued*

In Europe the only holding, United Internet, has declined 40% since its purchase in February as investors were fazed by fierce competition in the German DSL market, the return of cable as a viable competitor in data, with the rollout of DOCSIS 3.0, and increasing (recession related) pressure to its small but profitable online advertising business. United however remains appealing given its resilient recurring model.

Outlook

Although market estimates are slowly adapting to the new and grimmer reality, the prevailing atmosphere remains one of uncertainty. Annual sell-side and market research forecasts which in previous years would be confidently delivered often with decimal point accuracy have now become wide in range and in dispersion around the consensus. But how could they not resort to vagueness when companies themselves, refuse to give out any form of guidance; with for example Intel citing "economic uncertainty and limited visibility", and when the usual forecasting gauges such as backlogs are shrinking, new order intakes have often dried up and seasonal patterns are meaningless? Not surprisingly, the focus of companies' communications with the market has shifted to demonstrations of survivability and of cost cutting initiatives, since any talk of growth or even bottoming is met with investor scepticism.

To the bottom-up, longer term, specialist investor however this environment appears rife with opportunity. Far too many good companies have been priced for failure (as also evidenced by their bond yields) and far too many growth niches have been completely disregarded. Undoubtedly trading will be difficult as globally, consumer and corporate budgets tighten and as existing inventories are flushed out. For example, it's difficult to argue that the total corporate IT budget will not shrink in '09 (with Citigroup projecting 5-10% down), but 65-75% of the spend is for existing IT infrastructure maintenance which will make it very hard to cut (e.g. storage, regulatory & compliance, security, disaster recovery); as a matter of fact, often in order to reduce IT costs, companies need to invest in new technologies with economic ROI profiles. Moreover, the shrinking pie will force consolidation in the industry and strong, cash rich companies will emerge stronger; the danger there of course being that of shareholders in promising, smaller innovators in our portfolio losing their nerve and selling out too early and too cheaply.

Software companies appear to be relatively better-off in this macro environment as the SaaS/web application business model to which they are switching, and the associated subscription based licensing, offers superior visibility and allows some form of revenue forecasting. Their customers too are keen on the reduced complexity and lower cost of ownership of the SaaS offering and are also willing to upgrade their networks to accommodate application delivery; the attractiveness of SaaS has encouraged Gartner to predict that by 2011 it will account for 12% of the total software market, up from 6% currently. Additionally, in their greater efforts to reduce operating expenses, enterprises will definitely continue to be excited by the hardware and energy savings that virtualisation at the server and storage levels has to offer.

A recent entrant to the virtualised server market is Cisco (in collaboration with VMWare), which, as also seen from its move into unified communications following the acquisition of WebEx, has invested heavily in diversifying and transforming its business from a traditional network equipment provider to a one-stop hardware and service provider for the enterprise. Inevitably this will burn bridges with long-standing server partners such as HP and IBM and make the landscape much more competitive. However, Cisco's ability to leverage on its size, its global reach, dominance in network equipment and strong relationships in the enterprise market will render them a formidable foe. It would not be surprising if HP and IBM react by scrambling to get their hands on network equipment or storage companies in order to level the playing field.

Projections for the PC industry are especially problematic purely due to the success of the recently launched netbook PC category, for which analysts have little historical data by which to gauge demand. Compounding the problem is the vague definition of a netbook (a simpler, cheaper and lighter notebook) which renders classification and measurement more tedious. Nevertheless, the consensus seems to expect a 0-5% growth in overall PC units in 2009 boosted by triple digit growth in the netbook category which could account for ~15% of the total mobile PC (i.e. notebook and netbook) market. Excluding netbooks, unit demand for desktops and notebooks is expected to decline with the former naturally bearing the brunt of the slump unless the notebook category ends up being cannibalised by netbook sales.

Netbooks therefore appear primed to be the buzz word for this year, judging also from the hype during the recent Consumer Electronics Show in Las Vegas. Unlike its other more mature PC counterparts, netbook design is still far less standardised, which makes picking the winners that much more challenging. Companies like ARM and Qualcomm have made a move for its microprocessor socket, leveraging the low power expertise they bring over from the handset space. Similarly, Linux operating systems got an early lead on Windows by exploiting their reduced price and computational load as well as the open-source environment that allows easier differentiation for the PC makers. However, as netbook volumes ramp it's not hard to see how Intel, with its dedicated 45nm Atom processor, x86 architecture (for which PC applications such as the internet have been built), expertise in designing PC platforms and existing relationships with the OEMs, will sway the market towards its solution.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
INVESTMENT MANAGER'S REPORT for the year ended 31 December 2008 *continued*

Outlook *continued*

Microsoft will also most certainly be able to leverage on the 'familiarity' factor of its operating system, and its superior support for all PC applications and device drivers to regain the lead.

The other hot area at the recent CES was smartphones. Like PCs, the handset industry is steeling itself for a tough year ahead, estimated by several sell-side analysts (and Nokia) to be down in units between 5-10%, as emerging market demand falters and as handset subsidies in mature markets subside. Operators are no longer willing to subsidise low end phones with low data-attach rates but are instead focussing their investment on smartphones and notebooks which generate demand for internet and multimedia content from which the operators can profit. Partly due to promotion but also due to consumer appeal, smartphones are still projected to achieve double digit growth.

The true potential of smartphones became much clearer with the launch of the, by now iconic, Apple iPhone. Its hip design, innovative touch screen and sleek graphics quickly transformed the industry but 18 months later, the market is flooded with iPhone look-alikes, thus 'commoditising' the iPhone look. By now however the game has moved on and Apple probably still holds the lead; the iPhone is by now a platform on which an in-house and 3rd party application ecosystem has developed (e.g. App Store and iTunes) that greatly enhances the offering to both the user and the carrier. Apple's retailing deal with WalMart as well as the iPhone's imminent entry into China should be of interest too.

Weighted down by end markets such as PCs and mobile phones, the semiconductor industry is also set for difficult times ahead. Its positioning in the supply chain adds an extra forecasting variable; that of inventory levels in the system i.e. the amount of component and end-product stock at EMS companies, distributors, retailers etc. as well as the amount of destocking that will take place throughout the supply chain in the year as inventories adjust to new realities. The extreme lack of visibility for the semiconductor companies has also removed company guidance from the equation, further complicating the task. Naturally forecasting becomes particularly messy and it's not surprising that unit estimates we come across range from +2 to -20% while revenues (further impacted by price declines) range from 5-30% down. Moreover, the operating leverage in their business model and the expected drop in utilisation rates render profitability calculations even more ambiguous.

Companies with asymmetrical exposure to netbooks and smartphones, such as core IP providers Imagination Technologies and ARM Holdings, should outperform while the (delayed) proliferation of Solid State Drives (SSDs) in netbooks should boost SanDisk, the US flash memory maker which has been a victim of the oversupply-led collapse of the memory sector. The rapid declines in memory prices together with improvements in the speed and reliability of SSDs will very soon bring them to the 'sweet spot' for the low-cost netbooks. Other relative oases of stability in the semiconductor market include the government/defence, medical markets and to a lesser degree the industrial as well as certain segments of the telecoms sector in which companies of the likes of Microchip, Xilinx and Analog Devices operate.

Finally, the drop in sales and utilisation will render capacity expansion unnecessary for semiconductor companies as demonstrated by the announced industry-wide capital expenditure cuts for 2009. The industry as a whole has dropped by an estimated 35-40% in 2008 and is expected to drop by at least as much in 2009. Even the mighty Samsung has decided to rationalise spending and has announced a 50% cut (which at least loosens the stranglehold on the memory industry). Eliminating capacity related investment in 2009, what we are left with is technology migration related spending and it is encouraging that Intel, the world's largest spender, in its recent conference call announced that it has no plans to delay investment towards developing the 32nm transistor node. This should force its competitors to revisit their capital expenditure budgets, if they plan to remain in the game, and could easily lead to another wave of consolidations, thus ensuring that those who survive emerge stronger and more profitable.

HERALD INVESTMENT FUND PLC

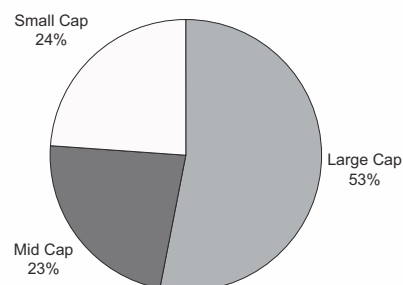
- The Herald Worldwide Fund

INVESTMENT MANAGER'S REPORT for the year ended 31 December 2008 *continued*

Portfolio Weightings

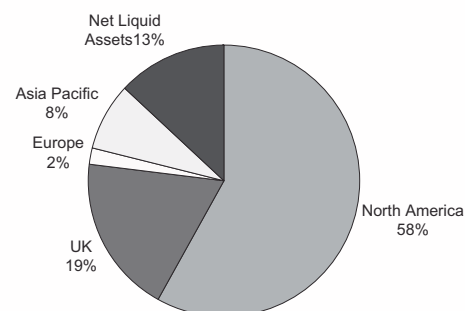
BREAKDOWN BY MARKET CAP 31 DECEMBER 2008

	31/12/08	31/12/07
Large Cap	53%	59%
Mid Cap	23%	16%
Small Cap	24%	25%



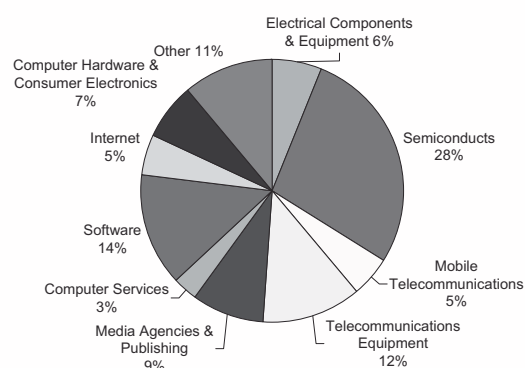
GEOGRAPHIC BREAKDOWN 31 DECEMBER 2008

	31/12/08	31/12/07
North America	58%	65%
UK	19%	15%
Europe	2%	0%
Asia Pacific	8%	12%
Net Liquid Assets	13%	8%



SECTOR BREAKDOWN 31 DECEMBER 2008

	31/12/08	31/12/07
Electrical Components & Equipments	6%	6%
Semiconductors	28%	27%
Mobile Telecommunications	5%	-
Telecommunications Equipment	12%	15%
Media Agencies & Publishing	9%	6%
Computer Services	3%	6%
Software	14%	19%
Internet	5%	1%
Computer Hardware & Consumer Electronics	7%	10%
Other	11%	10%



Source: Herald Investment Management Limited.

Date: January 2009

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
DIRECTORS' REPORT for the year ended 31 December 2008

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2008.

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. In carrying out this duty, the directors have delegated custody of the Company's assets to the Custodian.

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 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.

The Investment Manager's Report contains a review of the factors which contributed to the performance for the year. The Directors do not anticipate any changes in the structure or investment objective of the Company.

Risk Management objectives and policies

The main risks arising from the Company's financial instruments are market price, currency, interest rate, liquidity and 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 15.

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)

Directors' Interests in Shares and Contracts

	2008	2007
William Backhouse and connected persons	12,597.47	12,597.47
David Boyle and connected persons	12,182.21	12,182.21

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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

DIRECTORS' REPORT for the year ended 31 December 2008 *continued*

Contracts and 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

27 February 2009

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

CUSTODIAN'S REPORT to the Shareholders of Herald Investment Fund plc (the "Company")

We have enquired into the conduct of the Manager in respect of the Company for the year ended 31 December 2008, in our capacity as Custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body, in accordance with the Financial Regulator's UCITS Notice 4, 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.

Responsibilities of the Custodian

Our duties and responsibilities are outlined in the Financial Regulator's UCITS Notice 4. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company's Memorandum and Articles of Association and the UCITS Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in UCITS Notice 4 and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with 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:

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

For and On Behalf of

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

27 February 2009

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

INDEPENDENT AUDITOR'S 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 2008 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
- The Herald Worldwide Fund
INDEPENDENT AUDITOR'S REPORT
to the Members of Herald Investment Fund plc (the "Company") *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 2008 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

Date: 27 February 2009

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	Note	Year ended 31/12/08 GBP	Year ended 31/12/07 GBP
Income			
Operating income	3	225,273	240,691
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss		(1,492,093)	521,768
Total investment (loss)/income		<u>(1,266,820)</u>	<u>762,459</u>
Operating expenses	4	(219,356)	(233,329)
Net operating (loss)/income		<u>(1,486,176)</u>	<u>529,130</u>
Finance costs			
Interest expense		(135,781)	(136,049)
(Loss)/profit for the year before tax		<u>(1,621,957)</u>	<u>393,081</u>
Non-reclaimable withholding tax		(21,735)	(19,348)
(Loss)/profit for the year after tax		<u>(1,643,692)</u>	<u>373,733</u>
(Decrease)/increase in net assets attributable to holders of redeemable participating shares at bid prices		<u>(1,643,692)</u>	<u>373,733</u>
Adjustment from bid to last traded prices		<u>7,018</u>	<u>(10,038)</u>
(Decrease)/increase in net assets attributable to holders of redeemable participating shares from operations at last traded prices		<u><u>(1,636,674)</u></u>	<u><u>363,695</u></u>

There are no recognised gains or losses arising in the year other than the decrease 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

27 February 2009

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund
BALANCE SHEET as at 31 December 2008

	Note	31/12/08 GBP	31/12/07 GBP
ASSETS			
Cash and bank balances	5	947,161	819,263
Debtors		6,644	725
Financial assets at fair value through profit or loss	1	6,054,612	8,615,877
TOTAL ASSETS		7,008,417	9,435,865
LIABILITIES			
Creditors - amounts falling due within one year		(56,699)	(56,228)
Net assets attributable to holders of redeemable participating shares at bid prices		6,951,718	9,379,637
Adjustment from bid to last traded prices		34,736	27,718
Net assets attributable to holders of redeemable participating shares at last traded prices		6,986,454	9,407,355

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

On behalf of the Board of Directors

Alan Jeffers

Adrian Waters

27 February 2009

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

	31/12/08	31/12/07
	GBP	GBP
Net assets attributable to holders of redeemable participating shares at beginning of year	9,407,355	12,376,001
(Decrease /increase in net assets attributable to holders of redeemable participating shares resulting from operations	(1,636,674)	363,695
Amounts received on issue of redeemable participating shares	125,280	42,632
Amounts paid on redemption of redeemable participating shares	(909,507)	(3,374,973)
Decrease in net assets resulting from share transactions	(784,227)	(3,332,341)
Net decrease in shareholders' funds	(2,420,901)	(2,968,646)
Net assets attributable to holders of redeemable participating shares at end of year	6,986,454	9,407,355

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 2008

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.

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) 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 are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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.

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.

(ii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

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 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

1. Significant Accounting Policies *continued*

b) Investments *continued*

(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) Cash & cash equivalents

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.

c) 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 and bond interest are accounted for on an effective interest basis.

d) Fees and charges

Management fees, administration fees, custody fees and other operating expenses are charged to the Profit and Loss Account on an accruals basis.

e) 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.

f) 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 global securities and CFD's 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

1. Significant Accounting Policies *continued*

(f) Foreign Exchange *continued*

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.

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

	31/12/08	31/12/07
Euro	1.0344	1.3615
Korean Won	1,810.9182	1,863.3016
Malaysian Ringgit	4.9746	6.5830
Norwegian Krone	10.0673	10.8087
Taiwan Dollars	47.1841	64.5641
US Dollars	1.4378	1.9906

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 or during the year. 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

2. Financial Risk Management *continued*

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.

A full list of the Company's investments is given in the Schedule of Investments, on pages 26 to 27. 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 CFD's 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.

Other Price Risk – Sensitivity Analysis

The portfolio does not target any exchange as a benchmark, and the performance of the portfolio does not track any generally used market index due to insufficient relevance. However, for illustrative purposes, in 2008 the Fund returned -17.96% (2007: +2.57%) while the USD denominated MSCI World IT Index, a global technology index, returned -24.36% in sterling terms (2007: +12.86%). Based on the NAV of the Fund as at the 31st December 2008 and this historic one-year sensitivity analysis, if the MSCI World IT index decreased by 10% in sterling terms, the Fund would decrease by 7.36% (2007: decrease by 2.00%), resulting in a loss of GBP514,203 (loss of GBP188,001 based on the 31st of December 2007 NAV and sensitivity of the Fund). If the MSCI World IT index increased by 10% in sterling terms then the reverse would apply.

This sensitivity analysis assumes a significantly correlated relationship between movements in the index. It also assumes a change in the market price of the funds while holding all other variables constant (e.g. correlation with index, asset allocation etc.). In practice this is highly unlikely to occur and changes in some of these variables may be correlated. In addition, as the sensitivity analysis uses historical data as a basis, it does not encompass all possible scenarios, in particular those that are extreme in nature. Historical movements are not indicative of future events and the movements may differ significantly from the movements disclosed above.

(ii) Interest Rate Risk

The Company did not employ leverage and did not borrow for liquidity purposes in the year ended 31 December 2008 or 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 significantly 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

2. Financial Risk Management *continued*

(iii) Foreign Currency Risk *continued*

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

31 December 2008

Financial Assets	EUR	KRW	MYR	USD
Non-monetary assets				
Financial assets held at fair value through profit or loss	120,655	90,507	478,993	4,066,352
Monetary assets				
Cash and bank balances	-	-	-	1,295
TOTAL	120,655	90,507	478,993	4,067,647

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

Foreign currency risk – Sensitivity Analysis

The 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 2008, 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. 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 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 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,

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

2. Financial Risk Management *continued*

C. Liquidity Risk *continued*

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 at the 31 December 2008 and 31 December 2007 are repayable within one month.

3. Operating Income

	Year ended 31/12/08 GBP	Year ended 31/12/07 GBP
Deposit interest	130,481	158,493
Dividend income	94,792	82,198
	225,273	240,691
	225,273	240,691

4. Operating Expenses

	Year ended 31/12/08 GBP	Year ended 31/12/07 GBP
Administration fees	57,103	55,508
Auditors' fees	18,479	13,000
Custody fees	1,561	2,617
Directors' fees	24,394	34,605
Investment management fees	60,590	81,197
Other expenses	57,229	46,402
	219,356	233,329
	219,356	233,329

5. Cash and Bank Balances

	As at 31/12/08 GBP	As at 31/12/07 GBP
Governor and Company of the Bank of Ireland	947,161	819,263
	947,161	819,263

6. 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

Subscriber Shares

As at 31 December 2008, 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

6. Share Capital *continued*

Shares in Issue	As at 31/12/08 GBP	As at 31/12/07 GBP
Number of Class A shares issued and fully paid		
Balance at beginning of year	785,989	1,060,560
Issued during year	10,800	3,513
Redeemed during year	(85,210)	(278,084)
	711,579	785,989
Total number of Class A shares in issue at end of year	711,579	785,989

7. Net asset value

	As at 31/12/08 GBP	As at 31/12/07 GBP	As at 31/12/06 GBP
Net asset value	6,986,454	9,407,355	12,376,001
Net asset value per Class A share	9.82	11.97	11.67

8. 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. 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. Fees of GBP4,790 (2007: GBP6,612) were payable at 31 December 2008.

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 GBP11.97 and the closing GBP9.82. 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. Fees of GBP2,316 (2007: GBP1,708) were payable at 31 December 2008.

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. Fees of GBP400 (2007: GBP307) were payable at 31 December 2008.

9. 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.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 *continued*

9. Related Party Transactions *continued*

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 2008, the number of shares held was 89,321.75 (31 December 2007: 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 2008 is GBP 227,500 (2007: GBP 385,000).

Directors' fee

The total Directors' fee is disclosed in Note 4.

10. 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.

11. Soft Commission Arrangements

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

12. Distributions

There were no distributions declared.

13. Events After the Balance sheet date

There have been no events subsequent to the year end, which, in the opinion of the Manager of the Fund, may have had an impact on the Financial Statements for the year ended 31 December 2008.

14. Approval of Financial Statements

The Financial Statements were approved by the board on 27 February 2009.

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

SCHEDULE OF INVESTMENTS as at 31 December 2008

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
BONDS			
UNITED KINGDOM			
<i>CORPORATE BONDS</i>			
250,000	Vodafone Group Plc 8.125% 26/11/2018	275,395	3.94
UNITED KINGDOM - TOTAL		275,395	3.94
TOTAL BONDS		275,395	3.94
EQUITIES			
GERMANY			
<i>INTERNET</i>			
20,000	United Internet AG Com NPV	120,655	1.73
GERMANY - TOTAL		120,655	1.73
MALAYSIA			
<i>MEDIA</i>			
740,000	Star Publications Malaysia BHD Com NPV	478,993	6.86
MALAYSIA - TOTAL		478,993	6.86
SOUTH KOREA			
<i>ELECTRICAL COMPONENTS & EQUIPMENT</i>			
2,200	LG Electronics Inc Com NPV	90,507	1.29
SOUTH KOREA - TOTAL		90,507	1.29
UNITED KINGDOM			
<i>CLOSED-END FUNDS</i>			
125,000	Herald Investment Trust Plc NPV	227,500	3.26
<i>COMPUTERS</i>			
100,000	Phoenix IT Group Ltd Com GBP0.01	168,250	2.41
<i>ELECTRONICS</i>			
75,000	Acal Plc Com NPV	66,000	0.94
<i>INTERNET</i>			
200,000	Ebiquity Plc Com NPV	40,000	0.57
<i>SEMICONDUCTORS</i>			
210,000	ARM Holdings Plc Com NPV	181,650	2.60
470,500	Imagination Technologies Group Plc Com NPV	291,710	4.18
<i>SOFTWARE</i>			
340,000	Alphameric Plc Com NPV	47,600	0.68
UNITED KINGDOM - TOTAL		1,022,710	14.64
UNITED STATES			
<i>COMPUTERS</i>			
5,200	Apple Inc Com NPV	308,691	4.42
7,000	SanDisk Corp Com USD0.001	46,642	0.67
<i>ELECTRONICS</i>			
17,000	Arrow Electronics Inc Com USD1.00	222,765	3.19
22,000	Flir Systems Inc Com USD0.01	469,456	6.72
20,000	Jabil Circuit Inc Com USD0.001	93,619	1.34

HERALD INVESTMENT FUND PLC

- The Herald Worldwide Fund

SCHEDULE OF INVESTMENTS as at 31 December 2008 *continued*

NOMINAL	SECURITY NAME	VALUE GBP	FUND%
UNITED STATES <i>continued</i>			
INTERNET			
21,500	F5 Networks Inc Com NPV	341,398	4.89
13,000	Netease.com ADR NPV	199,826	2.86
ENTERTAINMENT			
20,000	Macrovision Solutions Corp Com USD0.001	175,830	2.51
SEMICONDUCTORS			
13,300	Analog Devices Inc Com USD0.16	175,853	2.52
38,000	Intel Corp Com USD0.001	387,731	5.55
32,000	Microchip Technology Inc Com USD0.001	433,789	6.21
50,000	MIPS Technologies Inc Com USD0.001	38,254	0.55
12,000	Xilinx Inc Com USD0.01	148,482	2.12
SOFTWARE			
20,000	Citrix Systems Inc Com USD0.001	327,873	4.69
21,000	Microsoft Corp Com NPV	283,943	4.06
TELECOMMUNICATIONS			
28,000	Cisco Systems Inc Com USD0.001	317,051	4.54
190,000	MRV Communications Inc Com USD0.002	95,149	1.36
UNITED STATES - TOTAL		4,066,352	58.20
TOTAL EQUITIES		5,779,217	82.72
TOTAL VALUE OF INVESTMENTS		6,054,612	86.66
CASH*		947,161	13.56
OTHER NET LIABILITIES		(50,055)	(0.72)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES AT BID PRICES		6,951,718	99.500
Adjustment from bid market prices to last traded market prices		34,736	0.50
TOTAL VALUE OF FUND AT LAST TRADED PRICES		6,986,454	100.00

Analysis of Total Net Assets

Transferable securities admitted to an official stock exchange listing or traded on a regulated market.
Other Net Assets

%

86.66
13.34

100.00

*All cash holdings are held with The Governor and Company of the Bank of Ireland.

The industry groups are based on the Bloomberg Level II classification.

HERALD INVESTMENT FUND PLC
- The Herald Worldwide Fund

SCHEDULE OF PORTFOLIO CHANGES (Unaudited) as at 31 December 2008

MAJOR PURCHASES		GBP VALUE
38,000	Intel Corp Com USD0.001	427,193
5,000	Apple Inc Com NPV	307,756
250,000	Vodafone Group Plc 8.125% 26/11/2018	261,025
20,000	United Internet AG Com NPV	201,709
10,000	Microchip Technology Inc Com USD0.001	161,945
100,000	Phoenix IT Group Ltd Com GBP0.01	155,541
75,000	Acal Plc Com NPV	83,328
75,000	Imagination Technologies Group Plc Com NPV	68,806

MAJOR SALES		GBP VALUE
20,000	Cognos Inc Com NPV	587,134
43,000	Foundry Networks Inc Com NPV	427,535
7,500	International Business Machines Corp Com USD0.20	392,208
4,800	Apple Inc Com NPV	392,178
4,800	LG Electronics Inc Com NPV	337,186
1,250	Samsung Electronics Co Ltd Com NPV	283,027
15,000	Texas Instruments Inc Com USD1.00	164,354
54,000	Iona Technologies Plc ADR NPV	121,944
10,000	THQ Inc Com USD0.01	25,998

These are all the purchases and sales in the period.