

# HERALD INVESTMENT TRUST PLC

## Interim Report 1995

For the six months ended 30 June 1995

### **Investment Policy**

The policy of the Company is to achieve capital appreciation through investments in smaller quoted companies, principally in the UK but also Continental Europe, in the areas of communications and multi-media. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies.

## CHAIRMAN'S REVIEW

It is satisfactory to report that Herald's net asset value (NAV) has risen by 11.7% in the first half of 1995, compared with a rise of 4.1% in the most relevant index, the Hoare Govett Smaller Companies Index (HGSCI). Management figures show a further improvement since the end of the six months under report.

	Inception	End Dec 1994	End June 1995	End July 1995
Herald basic NAV per share	98.7p*	93.6p	104.5p	112.0p
% changes since 31 Dec 1994			+11.7%	+19.7%
FT-SE % change since 31 Dec 1994			+ 8.1%	+13.0%
HGSCI % change since 31 Dec 1994			+ 4.1%	+ 8.4%

\*The NAV per share raised net of expenses on 16 Feb 1994, when 65m shares were placed at 100p per share with warrants attached on a 1 for 5 basis.

In spite of a background of generally strong trading and earnings growth for most of Herald's investments, the portfolio traded sideways in net asset terms for the first quarter, mirroring the performance of the fourth quarter of 1994. Herald's performance reflected the dull stock market conditions, but was still some 5% ahead of the declining HGSCI over those two quarters. However sentiment changed markedly in April, when the portfolio benefited from a rally in the radio stocks following the government's announcement of a relaxation in licence ownership rules, and the market began to recognise the strong earnings growth in some technology stocks. The average annualised growth in earnings per share, excluding loss-making companies, across the Herald portfolio is currently about 33%, albeit slightly flattered by some companies' growth from marginal levels of profitability.

Herald was established to follow an investment policy which is expected to offer opportunities for above-average share price performance. The strategy has been vindicated over the last six months, and in relative terms has been aided by the dull trading seen in more cyclical parts of the economy such as builders and retailers. The manager believes that over the long term these opportunities will continue. The manager continues generally to avoid investment in start-up businesses—a number of which have been floated in recent months—in the belief that venture capital propositions require a different approach to investment, and carry markedly higher risks than investments in established businesses.

Herald's policy is to pay annual dividends only, reflecting the emphasis on capital growth. The dividend in respect of the current full year is expected to be paid in April 1996.

The expected strong earnings growth across most of the portfolio should be reflected in higher valuations over time.

**Martin Boase**

*22 August 1995*

## SUMMARISED REVENUE ACCOUNT

for the six months ended 30 June

	1995 £000	<sup>(1)</sup> 1994 £000
Investment income—franked	600	22
—unfranked	167	318
—total	767	340
Other income—bank interest	28	271
—commissions	4	14
—total	32	285
<b>Total income</b>	799	625
Administration expenses	(445)	(311)
<b>Profit before tax</b>	354	314
Taxation	(64)	(80)
<b>Profit after tax attributable to shareholders</b>	290	234
Earnings per Share	0.45p	0.36p

## SUMMARISED BALANCE SHEET

at 30 June

	1995 £000	1994 £000
Investments at market value	65,576	62,511
Net current assets/(liabilities)	2,671	(532)
<b>Total net assets</b>	<b>68,247</b>	<b>61,979</b>
less: current period revenue	(290)	(234)
<b>Net asset valuation<sup>(2)</sup></b>	<b>67,957</b>	<b>61,745</b>
Net assets per share	104.55p	95.0p

(1) Figures for 1994 relate to the period from 16 February (the commencement of trading) to 30 June.

(2) The valuation net of current revenue is shown for consistency with data released monthly.

These financial statements are not the Company's statutory accounts for the purposes of Section 240 of the Companies Act 1985. They are unaudited, but have been reviewed by the auditors, whose report to the directors is attached.

The interim report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. The dividend in respect of the financial year to the end of December 1995 is expected to be paid in April 1996.

Ernst & Young  
Chartered Accountants  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

*Report of the auditors to Herald Investment Trust plc*

We have reviewed the interim financial information set out on page 3 in respect of the period ended 30 June 1995, which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin, *Review of interim financial information*, issued by the Auditing Practices Board. This review consisted principally of obtaining an understanding of the process for the preparation of the interim financial information, applying analytical procedures to the underlying financial data, assessing whether accounting policies established by the Directors have been properly applied, and making enquiries of the company's management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- we are not aware of any material modifications that should be made to the interim financial information as presented; and
- in our opinion the interim financial information has been prepared using the accounting policies consistent with those adopted by Herald Investment Trust plc in its accounts for the period ended 31 December 1994.

Ernst & Young  
Chartered Accountants

22 August 1995

## TOP TWENTY HOLDINGS

(in companies, by market value at 30 June 1995)

	Sector	£000	% of portfolio
Misys	Software for insurance and banking	2,969	4.5
Aegis Group	Media strategy, planning and buying	2,486	3.8
Unipalm Group	Software development and distribution	2,478	3.8
Dorling Kindersley	Book and CD-ROM publisher	2,364	3.6
Amstrad	Telecommunications, computers and electronics	2,104	3.2
Watmoughs	Specialist printing	2,080	3.2
Gold Greenlees Trott	Advertising	2,061	3.1
Admiral	Software and computer consultancy	2,059	3.1
Northamber	Computer distribution	1,966	3.0
CRT	IT recruitment and training	1,842	2.8
Scottish Radio	Commercial radio	1,695	2.6
Quarto	Coedition publishing	1,639	2.5
Draka Holdings	Information technology	1,627	2.5
EDP	Computer distribution, software and maintenance	1,581	2.4
Capital Radio	Commercial radio	1,522	2.3
Sysdeco	Software development	1,464	2.2
Midland Independent News	Regional newspapers	1,406	2.1
Chrysalis	Music publishing, film and radio	1,364	2.1
Aspen Communications	Printing, television and telecommunications	1,350	2.1
Linx Printing	Printing technology	1,275	2.0
Other investments in companies		26,071	39.8
Index linked gilts		2,173	3.3
<b>Total portfolio</b>		<b>65,576</b>	<b>100.0</b>

## DIRECTORS AND ADVISERS

Directors	Martin Boase (Chairman) Timothy George Abell Justin Paul Dukes Colin Michael McCarthy Clive Anthony Parritt
Investment Manager	Katherine Jane Potts RCIM Ltd. 99 Charterhouse Street London EC1M 6HR
Secretary & Registered Office	Cavendish Administration Ltd. 99 Charterhouse Street London EC1M 6HR
Stockbrokers	SBC Warburg 1 Finsbury Avenue London EC2M 2PP
Solicitors	Stephenson Harwood One, St Paul's Churchyard London EC4M 8SH
Auditors	Ernst & Young Rolls House 7 Rolls Buildings Fetter Lane London EC4A 1NH
Custodians and Bankers	The Royal Bank of Scotland plc Regent's House 42 Islington High Street London N1 8XL
Registrars	Northern Registrars Ltd. Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA