

HERALD INVESTMENT
MANAGEMENT LIMITED

Audited Report and Accounts
for the year ended 31 March 2016

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HERALD INVESTMENT MANAGEMENT LIMITED

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HERALD INVESTMENT MANAGEMENT LIMITED

GENERAL INFORMATION

DIRECTORS

K J Potts
Chairman & Managing Director

D T A Boyle DL
Non - Executive Director

J D S Booth
Non - Executive Director

V J Donegan
Non - Executive Director

SECRETARY

A B Miller

REGISTERED OFFICE

10-11 Charterhouse Square
London
EC1M 6EE

AUDITORS

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED IN ENGLAND

No: 2877061

BANKERS

Barclays Bank plc
Hatton Garden Business Centre
99 Hatton Garden
London
EC1N 8DN

SOLICITORS

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

HERALD INVESTMENT MANAGEMENT LIMITED

STRATEGIC REPORT

The directors present their strategic report for Herald Investment Management Limited (the 'Company') for the year ended 31st March 2016.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of the Company during the year was that of investment management and related advisory services from which it derives its income. The directors consider that the operations of the Company will remain substantially unchanged for the foreseeable future.

BUSINESS REVIEW

The overall performance of the Company has been satisfactory with turnover increasing to £7.3m (2015: £7.2m) and profit on ordinary activities before taxation decreasing to £4.1m (2015: £4.5m). At year end, assets under management have increased in value versus the prior year end.

The directors regard a key performance indicator for the Company as being the turnover from investment management and related advisory services. Turnover from investment management and related advisory services increased by £0.1m to £7.3m due to increases in the net asset value of funds advised, caused by the upwards move in global stock markets and prices.

RESULTS AND DIVIDENDS

The results for the year to 31 March 2016 are set out on page 8 of the financial statements and the movement in reserves is shown in note 15. The profit for the financial year was £3,303,821 (2015: £3,546,147).

An interim dividend of 100p per share was paid on 17th April 2015. A second interim dividend of 100p per share was paid on 24th September 2015. A final dividend of 100p per share was paid on 13th January 2016. Total dividends paid amounted to £2,772,525 or 300p per share (2015: £2,757,525 or 300p per share).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the Company is that clients may find the performance of the investment vehicles managed unsatisfactory and withdraw the Company's mandate. The Company's largest investment vehicle managed has a one year notice period and the role of investment manager is subject to a continuation vote every three years.

The fee income for investment vehicles managed by the Company is calculated as a percentage of funds managed and hence is subject to the price risk of the underlying investments in those funds. Credit risk is considered low on the fee income receivable, as assets held by the investment vehicles advised could be realised to provide funds sufficient to settle any amounts receivable by the Company.

Credit risk also arises from the investments in debt securities and cash and deposits at banks and financial institutions. This is monitored on an ongoing basis by the Company.

By order of the Board



A B Miller
Company Secretary
17th May 2016

HERALD INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present the report and financial statements of Herald Investment Management Limited (the 'Company') for the year ended 31st March 2016. The Company is FCA regulated and is a subsidiary undertaking of HIML Holdings Limited.

In accordance with section 414C(11) of the Companies Act 2006, the following Directors' Report information has been included in the Strategic Report - Principal Activity; Business Review; Results and Dividends and Principal Risks and Uncertainties.

DIRECTORS

The directors of the Company are listed on page 3. K J Potts, D T A Boyle and J D S Booth held office throughout the period. V J Donegan was appointed on 1st January 2016.

DIRECTORS' INDEMNITY

The Group provides a deed of indemnity to directors to the extent permitted by UK law whereby the Group is able to indemnify a director against any liability incurred in proceedings in which the director is successful, and against the cost of successfully applying to the court to be excused for breach of duty where the director acted honestly and reasonably.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Companies Act 2006) of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to section 487 of the Companies Act 2006, a resolution to re-appoint KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



A B Miller
Company Secretary
17th May 2016

HERALD INVESTMENT MANAGEMENT LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF HERALD INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements of Herald Investment Management Limited for the year ended 31 March 2016 set out on pages 8 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of the company's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to

- adequate accounting records have not been kept; or returns adequate for our audit have not been
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sinead O'Reilly

Sinead O'Reilly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL
17th May 2016

HERALD INVESTMENT MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	<u>Notes</u>	<u>2016</u> £	<u>2015</u> £
Turnover	2	7,281,745	7,156,822
Other operating income		2,575	1,150
OPERATING INCOME		<u>7,284,320</u>	<u>7,157,972</u>
Administrative expenses before long term bonus award gains and losses		<u>(2,960,407)</u>	<u>(2,791,307)</u>
Long term bonus award accruals		23,196	(136,620)
Unrealised (losses) / gains on investments held for long term bonus		(5,919)	124,200
		<u>17,277</u>	<u>(12,420)</u>
Administrative expenses		<u>(2,943,130)</u>	<u>(2,803,727)</u>
OPERATING PROFIT BEFORE LONG TERM BONUS AWARD GAINS AND LOSSES		<u>4,323,913</u>	<u>4,366,665</u>
OPERATING PROFIT	3	4,341,190	4,354,245
Interest receivable and similar income	6	56,228	58,025
Unrealised (losses) / gains on investments		(275,968)	67,280
Net profit on sale of investments		-	2,841
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>4,121,450</u>	<u>4,482,391</u>
Taxation	7	<u>(817,629)</u>	<u>(936,244)</u>
PROFIT FOR THE YEAR		<u>3,303,821</u>	<u>3,546,147</u>
Basic and fully diluted earnings per share		358.1p	385.8p

There were no other items of comprehensive income for the year and therefore the profit for the year is also the total comprehensive income for the year.

All results derive from continuing operations.


The notes on pages 11 to 18 form an integral part of these financial statements.

HERALD INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AT 31 MARCH 2016

			<u>2016</u>	<u>2015</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>	<u>£</u>
FIXED ASSETS				
Tangible assets	9	35,337	50,071	
Investments	10a	<u>2,557,783</u>	<u>2,371,202</u>	
			2,593,120	2,421,273
CURRENT ASSETS				
Investments	10b	1,197,632	1,236,100	
Debtors	11	1,978,264	1,377,916	
Cash at bank and in hand		<u>583,294</u>	<u>883,491</u>	
		3,759,190	3,497,507	
CREDITORS				
Amounts falling due within one year	12	<u>(1,047,882)</u>	<u>(1,350,891)</u>	
NET CURRENT ASSETS			2,711,308	2,146,616
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,304,428</u>	<u>4,567,889</u>
CREDITORS				
Amounts falling due after more than one year	13	(228,730)	(159,387)	
NET ASSETS			<u><u>5,075,698</u></u>	<u><u>4,408,502</u></u>
CAPITAL AND RESERVES				
Called up share capital	14	934	919	
Share premium account	15	277,988	142,103	
Other reserves	15	1,267,798	1,267,798	
Profit and loss account	15	3,528,978	2,997,682	
SHAREHOLDERS' FUNDS	16	<u><u>5,075,698</u></u>	<u><u>4,408,502</u></u>	

The financial statements on pages 8 to 18 were approved and authorised for issue on behalf of the board by


K J Potts
Managing Director
17th May 2016
Company registration number 2877061


A B Miller
Company Secretary

HERALD INVESTMENT MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	<u>Called up</u>	<u>Share</u>	<u>Revaluation</u>	<u>Other</u>	<u>Profit &</u>	<u>Shareholders'</u>
	<u>share capital</u>	<u>premium</u>	<u>reserve</u>	<u>reserve</u>	<u>loss account</u>	<u>Funds</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Balance at 1 April 2014 as previously reported	919	142,103	47,446	1,267,798	2,161,614	3,619,880
Unrealised gains on investments	-	-	(60,058)	-	60,058	-
Deferred tax on unrealised gains on investments	-	-	12,612	-	(12,612)	-
Balance at 1 April 2014 as restated	919	142,103	-	1,267,798	2,209,060	3,619,880
Profit for the year and total comprehensive income	-	-	-	-	3,546,147	3,546,147
Dividends	-	-	-	-	(2,757,525)	(2,757,525)
Balance at 1 April 2015	919	142,103	-	1,267,798	2,997,682	4,408,502
Profit for the year and total comprehensive income	-	-	-	-	3,303,821	3,303,821
Dividends	-	-	-	-	(2,772,525)	(2,772,525)
Issue of shares	15	135,885	-	-	-	135,900
Balance at 31 March 2016	934	277,988	-	1,267,798	3,528,978	5,075,698

The notes on pages 11 to 18 form an integral part of these financial statements.

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2016**

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

BASIS OF PREPARATION

The Company is a company limited by shares and incorporated and domiciled in the UK.

UK Generally Accepted Accounting Practice ("UK GAAP") has changed. The new accounting framework is set out in Financial Reporting Standard 102 ("FRS 102") the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued in September 2015.

These financial statements have been prepared on a going concern basis and in accordance with FRS 102 under the historical cost convention as modified to include the revaluation of financial instruments classified at fair value through the profit or loss. Designation of previously recognised available for sale investments were at 1 April 2014 presented at fair value through profit or loss which FRS 102 permits, on first time adoption, as an exemption from the full requirements. The presentation currency of these financial statements is sterling. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company is provided in note 20.

CONSOLIDATION

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to present group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

TANGIBLE ASSETS AND DEPRECIATION

All tangible assets are initially recorded at cost and reviewed for impairment annually. Any impairment is recognised in the profit and loss account in the year in which it occurs.

Depreciation is provided on all tangible assets other than antiques, at rates calculated to write off the cost of each asset over its expected useful life as follows:

- Fixtures and fittings – 3 years straight line
- Computer equipment is written off immediately on purchase.

INVESTMENTS AND FINANCIAL ASSETS

Financial assets within the scope of FRS 102 are classified as either financial assets at fair value through profit or loss or loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset.

Following the adoption of FRS 102 all financial assets held by the Company, except loans and receivables, are fair value through profit or loss.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss account for the period.

Investments in subsidiaries and associates are held at the lower of cost and net realisable value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances.

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

TAXATION

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

LEASING COMMITMENTS

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

CASH FLOW STATEMENT

Under FRS 102 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements which are publicly available.

DIVIDENDS ON SHARES PRESENTED WITHIN EQUITY

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

PENSIONS

The Company operates a work place pension scheme on behalf of its employees and in addition makes payments to several employees' personal pension plans. The pension charge represents the amounts payable by the Company to these plans in respect of the year.

REVENUE RECOGNITION

Turnover is recognised on an accruals basis and is stated net of VAT and any discounts or rebates. It is primarily derived from the provision of investment management and advisory services. Other operating income and interest receivable are calculated on an accruals basis.

TRADE AND OTHER DEBTORS / CREDITORS

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

2. TURNOVER

Turnover is entirely attributable to the principal activity of the Company, which is conducted wholly in the United Kingdom.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

Operating profit is stated after charging:

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Depreciation charge	32,451	49,901
Operating lease rentals - land and buildings	250,542	230,000

HERALD INVESTMENT MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

3. NOTES TO THE PROFIT AND LOSS ACCOUNT (continued)

Operating profit is stated after charging:

Auditors' remuneration:		
<i>Audit of these financial statements</i>	13,250	12,800
<i>Audit of Client Assets</i>	3,000	3,000
Amounts receivable by auditors and their associates in respect of:		
<i>Audit of financial statements of subsidiaries</i>	7,300	7,100

4. REMUNERATION OF DIRECTORS

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Directors' emoluments	<u>464,618</u>	<u>332,646</u>

The aggregate of emoluments of the highest paid director was £247,500 (2015: £247,500). No pension contributions are made by the Company on behalf of any directors.

5. STAFF COSTS (including directors)

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Wages and salaries	1,361,022	1,238,203
Social security costs	169,183	153,633
Pension costs	136,045	56,354
	<u>1,666,250</u>	<u>1,448,190</u>
Average number of employees during the year	<u>14</u>	<u>13</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Bank interest	1,163	734
Other	55,065	57,291
	<u>56,228</u>	<u>58,025</u>

7. TAXATION

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
a) Analysis of the tax charge for the year		
UK corporation tax on profits for the year	848,729	924,009
Adjustments in respect of prior periods	-	(16,809)
Total current tax charge	<u>848,729</u>	<u>907,200</u>
Deferred tax		
Origination of timing differences	(26,689)	30,726
Adjustments in respect of prior periods	(4,411)	(1,682)
Total deferred tax	<u>(31,100)</u>	<u>29,044</u>
Tax on profit on ordinary activities	<u>817,629</u>	<u>936,244</u>

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

7. TAXATION (continued)

b) Factors affecting the tax charge for the current year

The effective rate of tax in the year is 19.8% (2015: 20.9%). The current tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%).

The differences are explained below:

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Profit on ordinary activities before taxation	4,121,450	4,482,391
Corporation tax at 20% (2015: 21%)	824,290	941,302
<i>Factors adjusted for:</i>		
Disallowed expenses	336	31,299
Non taxable income	(2,519)	(2,638)
Capital allowances greater than depreciation	803	(4,825)
Decrease in general provisions	(31,638)	-
Unrealised gains on investments	56,377	(41,008)
Short term timing differences	1,080	(121)
Origination of timing differences in respect of deferred tax	(26,689)	30,726
Adjustments in respect of prior period deferred tax	(4,411)	(1,682)
Adjustments in respect of prior periods	-	(16,809)
Tax charge for the year	817,629	936,244

There is a deferred tax asset of £152,420 arising from timing differences on accelerated capital allowances, unpaid bonuses and provisions (2015: £134,608). There is an offsetting tax liability of £202,712 (2015: £211,951) from listed investments - see note 10. The resulting deferred taxation liability is included in creditors.

8. DIVIDENDS

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>pence per</u>	<u>pence per</u>	<u>£</u>	<u>£</u>
	<u>share</u>	<u>share</u>		
Interim dividend paid	100	100	919,175	919,175
Second interim dividend	100	100	919,175	919,175
Final dividend	100	100	934,175	919,175
Total dividends for the year	300	300	2,772,525	2,757,525

9. TANGIBLE ASSETS

	<u>Fixtures & fittings</u>	<u>Computer equipment</u>	<u>Antiques</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<i>Cost:</i>				
At 1 April 2015	221,248	210,443	23,774	455,465
Additions	-	17,717	-	17,717
At 31 March 2016	221,248	228,160	23,774	473,182
<i>Depreciation:</i>				
At 1 April 2015	194,951	210,443	-	405,394
Charge for the year	14,734	17,717	-	32,451
At 31 March 2016	209,685	228,160	-	437,845
<i>Net book value:</i>				
At 31 March 2015	26,297	-	23,774	50,071
At 31 March 2016	11,563	-	23,774	35,337

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

10. INVESTMENTS

(a) Non-current assets

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Loans and receivables	430,000	350,000
Fair value through profit or loss investments-quoted	1,415,041	1,420,960
Fair value through profit or loss investments-unquoted	712,500	600,000
Investment in subsidiaries	102	102
Investment in associates	140	140
	<u>2,557,783</u>	<u>2,371,202</u>

(b) Current assets

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Fair value through profit or loss investments-quoted	<u>1,197,632</u>	<u>1,236,100</u>

The fair value through profit or loss-quoted investments are listed debt and fund investments held at fair value calculated using the quoted bid price at the year end date. The fund investments include an interest in the Herald Investment Fund plc which is acting as a hedge to a Company long term bonus scheme. If the listed investments had been sold at market value there would have been a liability to tax of £202,712 (2015 - £211,951). The loans and receivables and investments in subsidiaries and associates are unlisted and held at cost.

(c) Listed investments fair value analysis

An analysis of the movement in the fair value of the listed investments included above is as follows:

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Acquisition cost b/fwd	1,599,100	1,745,191
Revaluation surplus b/fwd	<u>1,057,960</u>	<u>862,689</u>
Fair value b/fwd	2,657,060	2,607,880
Disposals at cost	-	(146,091)
Unrealised losses on disposals b/fwd	<u>-</u>	<u>3,791</u>
Fair value b/fwd disposed	-	(142,300)
Revaluation of investments not traded during the period	(44,387)	191,480
Fair value c/fwd	<u>2,612,673</u>	<u>2,657,060</u>

The historical cost of the listed investments is £1,599,100 (2015 - £1,599,100).

(d) Details of investments

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

<u>Name of Company</u>	<u>Holding</u>	<u>% of voting rights and shares held</u>	<u>Nature of Business</u>
Herald GP Limited	Ordinary Shares	100%	General Partner
Herald GP II Limited	Ordinary Shares	100%	General Partner
Herald Ventures Scotland (GP) Limited	Ordinary Shares	100%	General Partner
Herald Ventures II CP LP	Partnership Capital	35%	Carried interest vehicle

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

11. DEBTORS

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Trade debtors	37,416	14,091
Prepayments and accrued income	1,023,994	804,414
Called up share capital not paid	236,220	162,570
Amounts owed by group undertakings	650,421	395,375
Other debtors	30,213	1,466
	<u>1,978,264</u>	<u>1,377,916</u>

12. CREDITORS: Amounts falling due within one year

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Trade creditors	15,085	98,125
Corporation tax payable	310,980	376,377
Deferred tax liability	2,533	10,227
Other taxes and social security costs	-	6,668
Accruals and deferred income*	719,283	858,879
Other creditors	1	615
	<u>1,047,882</u>	<u>1,350,891</u>

* including bonus award accruals

13. CREDITORS: Amounts falling due after more than one year

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Deferred tax liability	<u>228,730</u>	<u>159,387</u>

The Company has utilised tax losses from its subsidiary undertaking, Herald GP II Limited, but has not made any payment for this. In future years, taxable profits may arise in Herald GP II Limited, which may have otherwise been offsettable against the tax losses had they not been surrendered to the Company. Since it is most likely that any of the corporation tax liabilities arising in Herald GP II Limited will be borne by the Company, the potential deferred tax liability has been recognised in these accounts and not in those of Herald GP II Limited.

14. SHARE CAPITAL

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
<i>Alotted and called up:</i>		
907,175 (2015: 899,675) ordinary shares of 0.1p each, fully paid	907	900
27,000 (2015: 19,500) ordinary shares of 0.1p each, nil paid	<u>27</u>	<u>19</u>
	<u>934</u>	<u>919</u>

The weighted average number of ordinary shares in issue during the year was 922,545 (2015: 919,975).

The earnings per share disclosed in the profit and loss account have been calculated using the above weighted average number of ordinary shares and the "Profit for the year".

HERALD INVESTMENT MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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15. RESERVES

	Share premium account £	Other distributable reserve £	Revaluation reserve £	Profit and loss account £
Balance at 1 April 2014 as previously reported	142,103	1,267,798	47,446	2,161,614
Unrealised gains & losses on investments to profit and loss	-	-	(60,058)	60,058
Deferred tax on unrealised gains & losses to profit and loss	-	-	12,612	(12,612)
Balance at 1 April 2014 as restated	142,103	1,267,798	-	2,209,060
Profit for the year and total comprehensive income	-	-	-	3,546,147
Dividends	-	-	-	(2,757,525)
Balance at 1 April 2015	142,103	1,267,798	-	2,997,682
Profit for the year and total comprehensive income	-	-	-	3,303,821
Dividends	-	-	-	(2,772,525)
Issue of shares	135,885	-	-	-
Balance at 31 March 2016	277,988	1,267,798	-	3,528,978

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2016 £	2015 £
Opening shareholders' funds	4,408,502	3,619,880
Profit for the year and total comprehensive income	3,303,821	3,546,147
Dividends	(2,772,525)	(2,757,525)
Issue of shares	135,900	-
Closing shareholders' funds	5,075,698	4,408,502

17. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases expiring:

	2016	2015
<i>Land and buildings</i>		
Between 1 and 5 years	£127,080	-
After 5 years	£240,350	£230,000

18. RELATED PARTIES

Subsidiary undertakings of the Company act as general partners to Herald Ventures Limited Partnership, Herald Ventures Limited Partnership II, Herald Ventures Limited Partnership III (together known as "HVLP I") and Herald Ventures II Limited Partnership ("HVLP II"). As a result the Company earned a management fee for advisory services provided to HVLP II and, until September 2011, HVLP I. From 1st September 2011, the Company only receives a profit share from HVLP I once the proceeds distributed per unit exceed the distribution per unit made to partners who resigned from HVLP I on 31st August 2011.

The fees for advisory services received during the year by the Company were £NIL from HVLP I (2015 - £168,890) and £436,063 from HVLP II (2015 - £433,741). There were unsettled fees of £650,421 at year end (2015 - £395,375).

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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18. RELATED PARTIES (continued)

The Company is considered to be a related party of Herald Investment Fund plc, a listed investment fund, as a result of common directorships. The Company receives a management fee from Herald Investment Fund plc in exchange for management services. During the year the Company received £153,905 (2015: £260,158) in respect of management services. As at 31 March 2016 £12,394 (2015 - £13,995) was outstanding from Herald Investment Fund plc.

19. ULTIMATE PARENT COMPANY

The ultimate holding company and controlling party of the Company is HIML Holdings Limited, a company incorporated in England and Wales. Copies of the accounts are available from Companies House, Crown Way, Cardiff, CF4 3UZ.

20. TRANSITION FROM UK GAAP TO FRS 102

	Profit & loss account for the year ended 31 March 2015 £	Capital & reserves as at 31 March 2015 £	Capital & reserves as at 1 April 2014 £
As previously reported under UK GAAP	3,552,683	4,408,502	3,619,881
Unrealised losses on investments	(12,712)	-	-
Unrealised losses on investments - deferred taxation	2,385	-	-
Net loss on sale of investments	3,791	-	-
Restated	<u>3,546,147</u>	<u>4,408,502</u>	<u>3,619,881</u>