

**HERALD INVESTMENT
MANAGEMENT LIMITED**

**Audited Report and Accounts
for the year ended 31 March 2017**

THURSDAY



A67OFKOO

A13

01/06/2017

#384

COMPANIES HOUSE

HERALD INVESTMENT MANAGEMENT LIMITED

CONTENTS

	<u>Page</u>
General Information	3
Strategic Report	4
Directors' Report	5
Statement of Directors' Responsibilities	6
Independent Auditor's Report to the members of Herald Investment Management Limited	7
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11

HERALD INVESTMENT MANAGEMENT LIMITED

GENERAL INFORMATION

DIRECTORS

K J Potts
Chairman & Managing Director

J D S Booth
Non - Executive Director

D T A Boyle DL
Non - Executive Director

V J Donegan
Non - Executive Director

SECRETARY

A B Miller

REGISTERED OFFICE

10-11 Charterhouse Square
London
EC1M 6EE

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED IN ENGLAND

No: 2877061

BANKER

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 2017.

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 £8.5m (2016: £7.3m) and profit on ordinary activities before taxation increasing to £4.9m (2016: £4.1m). 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 £1.2m to £8.5m 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 2017 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 £4,134,820 (2016: £3,303,821).

An interim dividend of 200p per share was paid on 8th September 2016 and a final dividend of 250p per share was paid on 29th March 2017. Total dividends paid amounted to £4,248,784 or 450p per share (2016: £2,772,525 or 300p per share).

PRINCIPAL RISKS AND UNCERTAINTIES

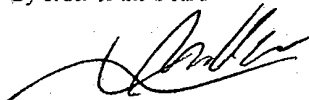
The principal risk facing the Company is that clients may find the performance of the investment vehicles managed unsatisfactory and withdraw the Company's mandate. The Company's largest investment vehicle managed has a one year notice period and the role of investment manager is subject to a continuation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

In relation to the assessment and monitoring of economic, political and regulatory risks, the Company will keep Brexit developments under review but currently believes that the UK's decision to leave the EU will not present a significant threat to the Company's business model or its ability to continue producing accounts on a going concern basis.

By order of the Board



A B Miller
Company Secretary
12th May 2017

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 2017. The Company is FCA regulated and is a subsidiary undertaking of HIML Holdings Limited (the 'Group').

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, J D S Booth and V J Donegan held office throughout the period.

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 AUDITOR

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 auditor is aware of that information.

AUDITOR

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

By order of the Board



A B Miller
Company Secretary
12 th May 2017

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 2017 set out on pages 8 to 17. 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 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 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 2017 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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 you if, in our opinion:

- adequate accounting records have not been kept; or returns adequate for our audit have not been received from branches not visited by us; or
- 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
12 th May 2017

HERALD INVESTMENT MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	<u>Notes</u>	<u>2017</u> £	<u>2016</u> £
Turnover	2	8,537,253	7,281,745
Other operating income		9,587	2,575
OPERATING INCOME		<u>8,546,840</u>	<u>7,284,320</u>
Administrative expenses before long term bonus award gains and losses		<u>(3,859,374)</u>	<u>(2,960,407)</u>
Long term bonus award accruals	4	(399,284)	23,196
Unrealised gains / (losses) on investments held for long term bonus	4	252,286	(5,919)
		<u>(146,998)</u>	<u>17,277</u>
Administrative expenses		<u>(4,006,372)</u>	<u>(2,943,130)</u>
OPERATING PROFIT BEFORE LONG TERM BONUS AWARD GAINS AND LOSSES		<u>4,687,466</u>	<u>4,323,913</u>
OPERATING PROFIT	3	4,540,468	4,341,190
Interest receivable and similar income	6	59,502	56,228
Unrealised gains / (losses) on investments		132,403	(275,968)
Net profit on sale of investments		122,263	-
PROFIT BEFORE TAXATION		<u>4,854,636</u>	<u>4,121,450</u>
Taxation	7	<u>(719,816)</u>	<u>(817,629)</u>
PROFIT FOR THE YEAR		<u>4,134,820</u>	<u>3,303,821</u>
Basic and fully diluted earnings per share		439.5p	358.1p

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 17 form an integral part of these financial statements.

HERALD INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AT 31 MARCH 2017

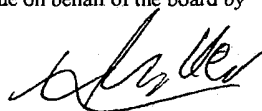
	Notes	£	2017 £	2016 £
FIXED ASSETS				
Tangible assets	9	27,628	35,337	
Investments	10a	<u>2,982,798</u>	<u>2,557,783</u>	
			3,010,426	2,593,120
CURRENT ASSETS				
Investments	10b	1,275,821	1,197,632	
Debtors	11	1,720,847	1,978,264	
Cash at bank and in hand		<u>630,281</u>	<u>583,294</u>	
		3,626,949	3,759,190	
CREDITORS				
Amounts falling due within one year	12	<u>(1,540,014)</u>	<u>(1,047,882)</u>	
NET CURRENT ASSETS			2,086,935	2,711,308
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,097,361</u>	<u>5,304,428</u>
CREDITORS				
Amounts falling due after more than one year	13	(45,027)	(228,730)	
NET ASSETS			<u><u>5,052,334</u></u>	<u><u>5,075,698</u></u>
CAPITAL AND RESERVES				
Called up share capital	14	944	934	
Share premium account	15	368,578	277,988	
Other reserves	15	1,267,798	1,267,798	
Profit and loss account	15	3,415,014	3,528,978	
SHAREHOLDERS' FUNDS	16		<u><u>5,052,334</u></u>	<u><u>5,075,698</u></u>

The financial statements on pages 8 to 17 were approved and authorised for issue on behalf of the board by



K J Potts
Managing Director
12 th May 2017

Company registration number 2877061



A B Miller
Company Secretary

HERALD INVESTMENT MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	<u>Called up</u> <u>share capital</u> £	<u>Share</u> <u>premium</u> £	<u>Other</u> <u>reserves</u> £	<u>Profit &</u> <u>loss account</u> £	<u>Shareholders'</u> <u>Funds</u> £
Balance at 1 April 2015	919	142,103	1,267,798	2,997,683	4,408,503
Profit for the year and total comprehensive income	-	-	-	3,303,820	3,303,820
Dividends	-	-	-	(2,772,525)	(2,772,525)
Issue of shares	15	135,885	-	-	135,900
Balance at 1 April 2016	934	277,988	1,267,798	3,528,978	5,075,698
Profit for the year and total comprehensive income	-	-	-	4,134,820	4,134,820
Dividends	-	-	-	(4,248,784)	(4,248,784)
Issue of shares	10	90,590	-	-	90,600
Balance at 31 March 2017	944	368,578	1,267,798	3,415,014	5,052,334

The notes on pages 11 to 17 form an integral part of these financial statements.

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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.

These financial statements have been prepared on a going concern basis and in accordance with FRS 102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued in September 2015) under the historical cost convention as modified to include the revaluation of financial instruments classified at fair value through the profit or loss. The presentation currency of these financial statements is sterling.

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 2017

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.

BASIC FINANCIAL INSTRUMENTS

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>2017</u> £	<u>2016</u> £
Depreciation charge	18,003	32,451
Operating lease rentals - land and buildings	367,430	250,542

HERALD INVESTMENT MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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

Operating profit is stated after charging:	<u>2017</u>	<u>2016</u>
	£	£
Auditor's remuneration:		
<i>Audit of these financial statements</i>	13,700	13,250
<i>Audit of Client Assets</i>	10,000	3,000
Amounts payable to the auditor and their associates in respect of:		
<i>Audit of financial statements of subsidiaries</i>	7,500	7,300
<i>Other services relating to taxation</i>	2,060	1,917

4. REMUNERATION OF DIRECTORS

	<u>2017</u>	<u>2016</u>
	£	£
Directors' emoluments	<u>460,028</u>	<u>464,618</u>

The aggregate of emoluments of the highest paid director was £247,500 (2016: £247,500). No pension contributions are made by the Company on behalf of any directors. The Company operates a long term bonus scheme in which directors may participate. The scheme is hedged by holdings in Herald Investment Fund plc - see note 11b.

5. STAFF COSTS (including directors)

	<u>2017</u>	<u>2016</u>
	£	£
Wages and salaries	1,534,274	1,361,022
Social security costs	184,371	169,183
Pension costs	153,312	136,045
	<u>1,871,957</u>	<u>1,666,250</u>
Average number of employees during the year	<u>16</u>	<u>14</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2017</u>	<u>2016</u>
	£	£
Bank interest	2,199	1,163
Interest on bonds	57,303	55,065
	<u>59,502</u>	<u>56,228</u>

7. TAXATION

	<u>2017</u>	<u>2016</u>
	£	£
a) Analysis of the tax charge for the year		
UK corporation tax on profit for the year	890,606	848,729
Total current tax charge	<u>890,606</u>	<u>848,729</u>
<i>Deferred tax</i>		
Origination of timing differences	17,724	(26,689)
Adjustments in respect of prior periods	(188,514)	(4,411)
Total deferred tax	<u>(170,790)</u>	<u>(31,100)</u>
Tax on profit	<u>719,816</u>	<u>817,629</u>

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

7. TAXATION (continued)

b) Factors affecting the tax charge for the current year

The effective rate of tax in the year is 14.8% (2016: 19.8%). The current tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%).

The differences are explained below:

	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
Profit before taxation	4,854,636	4,121,450
Corporation tax at 20% (2016: 20%)	970,927	824,290
<i>Factors adjusted for:</i>		
Disallowed expenses	306	336
Non taxable income	(2,513)	(2,519)
Capital allowances (less) / greater than depreciation	(215)	803
Increase / (decrease) in directors bonus accrual provision	57,152	(31,638)
Unrealised gains on investments	(76,938)	56,377
Profit and loss on sale of investments	(24,453)	-
Group relief	(32,878)	-
Short term timing differences	(782)	1,080
Origination of timing differences in respect of deferred tax	17,724	(26,689)
Adjustments in respect of prior period deferred tax	(188,514)	(4,411)
Tax charge for the year	<u>719,816</u>	<u>817,629</u>

There is a deferred tax asset of £136,856 arising from timing differences on accelerated capital allowances, unpaid bonuses and provisions (2016: £152,240). There is an offsetting tax liability of £146,384 (2016: £121,759) from listed investments - see note 10. The resulting deferred taxation liability is included in creditors.

8. DIVIDENDS

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>pence per share</u>	<u>pence per share</u>	<u>£</u>	<u>£</u>
Interim dividend paid	200	100	1,888,350	919,175
Second interim dividend	-	100	-	919,175
Final dividend	250	100	2,360,434	934,175
Total dividends for the year	<u>450</u>	<u>300</u>	<u>4,248,784</u>	<u>2,772,525</u>

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 2016	221,248	228,160	23,774	473,182
Additions	-	10,294	-	10,294
At 31 March 2017	<u>221,248</u>	<u>238,454</u>	<u>23,774</u>	<u>483,476</u>
<i>Depreciation:</i>				
At 1 April 2016	209,685	228,160	-	437,845
Charge for the year	7,709	10,294	-	18,003
At 31 March 2017	<u>217,394</u>	<u>238,454</u>	<u>-</u>	<u>455,848</u>
<i>Net book value:</i>				
At 31 March 2016	<u>11,563</u>	<u>-</u>	<u>23,774</u>	<u>35,337</u>
At 31 March 2017	<u>3,854</u>	<u>-</u>	<u>23,774</u>	<u>27,628</u>

HERALD INVESTMENT MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. INVESTMENTS

(a) Non-current assets

	<u>2017</u>	<u>2016</u>
	£	£
Loans and receivables	580,000	430,000
Fair value through profit or loss investments-quoted	1,877,556	1,415,041
Fair value through profit or loss investments-unquoted	525,000	712,500
Investment in subsidiaries	102	102
Investment in associates	140	140
	<u>2,982,798</u>	<u>2,557,783</u>

(b) Current assets

	<u>2017</u>	<u>2016</u>
	£	£
Fair value through profit or loss investments-quoted	<u>1,275,821</u>	<u>1,197,632</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 £269,578 (2016 - £202,712). 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>2017</u>	<u>2016</u>
	£	£
Acquisition cost b/fwd	1,599,100	1,599,100
Revaluation surplus b/fwd	<u>1,013,573</u>	<u>1,057,960</u>
Fair value b/fwd	2,612,673	2,657,060
Disposals at cost	(31,487)	-
Unrealised gains on disposals b/fwd	<u>(76,100)</u>	-
Fair value b/fwd disposed	(107,587)	-
Revaluation of investments not traded during the period	648,291	(44,387)
Fair value c/fwd	<u>3,153,377</u>	<u>2,612,673</u>

The historical cost of the listed investments is £1,567.612 (2016 - £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	34%	Carried interest vehicle

HERALD INVESTMENT MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. DEBTORS

	<u>2017</u>	<u>2016</u>
	£	£
Trade debtors	18,481	37,416
Prepayments and accrued income	1,362,775	1,023,994
Called up share capital not paid	236,220	236,220
Amounts owed by group undertakings	103,371	650,421
Other debtors	-	30,213
	<u>1,720,847</u>	<u>1,978,264</u>

12. CREDITORS: Amounts falling due within one year

	<u>2017</u>	<u>2016</u>
	£	£
Trade creditors	3,933	15,085
Corporation tax payable	440,606	310,980
Deferred tax liability	15,446	2,533
Other taxes and social security costs	9,616	-
Accruals and deferred income*	1,070,412	719,283
Other creditors	1	1
	<u>1,540,014</u>	<u>1,047,882</u>

* including bonus award accruals

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

	<u>2017</u>	<u>2016</u>
	£	£
Deferred tax liability	<u>45,027</u>	<u>228,730</u>

In prior years, the Company had utilised tax losses from its subsidiary undertaking, Herald GP II Limited, but had not made any payment for this. In 2017 and future years, there was a possibility that taxable profits could 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 was most likely that any of the corporation tax liabilities arising in Herald GP II Limited would be borne by the Company, the potential deferred tax liability was recognised in these accounts and not in those of Herald GP II Limited. In 2017, it is now expected that taxable profits in relation to the tax losses utilised will not occur and thus £180,970 of deferred tax liability has been credited to this years tax charge.

14. SHARE CAPITAL

	<u>2017</u>	<u>2016</u>
	£	£
<i>Allotted and called up:</i>		
917,175 (2016: 907,175) ordinary shares of 0.1p each, fully paid	917	907
27,000 (2016: 27,000) ordinary shares of 0.1p each, nil paid	<u>27</u>	<u>27</u>
	<u>944</u>	<u>934</u>

The weighted average number of ordinary shares in issue during the year was 940,833 (2016: 922,545).

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 FOR THE YEAR ENDED 31 MARCH 2017

15. RESERVES

	Share premium account £	Other distributable reserve £	Profit and loss account £
Balance at 1 April 2015	142,103	1,267,798	2,997,683
Profit for the year and total comprehensive income	-	-	3,303,820
Dividends	-	-	(2,772,525)
Issue of shares	135,885	-	-
Balance at 1 April 2016	277,988	1,267,798	3,528,978
Profit for the year and total comprehensive income	-	-	4,134,820
Dividends	-	-	(4,248,784)
Issue of shares	90,590	-	-
Balance at 31 March 2017	368,578	1,267,798	3,415,014

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2017 £	2016 £
Opening shareholders' funds	5,075,698	4,408,502
Profit for the year and total comprehensive income	4,134,820	3,303,821
Dividends	(4,248,784)	(2,772,525)
Issue of shares	90,600	135,900
Closing shareholders' funds	5,052,334	5,075,698

17. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases expiring:

	2017	2016
<i>Land and buildings</i>		
Between 1 and 5 years	£367,430	£127,080
After 5 years	£0	£240,350

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

The fees for advisory services received during the year by the Company were £8,073 from HV I (2016 - £NIL) and £432,415 from HV II (2016 - £436,063). There were unsettled fees of £103,371 at year end (2016 - £650,421).

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 £535,842 (2016 - £153,905) in respect of management services. As at 31 March 2017 £18,142 (2016 - £12,394) 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, CF14 3UZ.