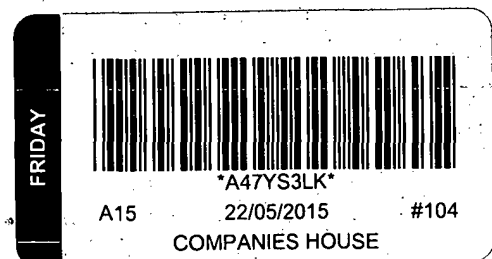


**HERALD INVESTMENT**  
**MANAGEMENT LIMITED**

**Audited Report and Accounts**  
**for the year ended 31 March 2015**



**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*

**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 2015.

#### **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 £7.2m (2014: £6.7m) and profit on ordinary activities before taxation increasing to £4.5m (2014: £3.8m). 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 £0.5m to £7.2m 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 2015 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 £3,552,683 (2014: £3,548,829).

An interim dividend of 100p per share was paid on 1st May 2014. A second interim dividend of 100p per share was paid on 11th July 2014. A final dividend of 100p per share was paid on 9th January 2015. Total dividends paid amounted to £2,757,525 or 300p per share (2014: £2,573,691 or 280p 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  
15th May 2015

## **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 2015. The Company is FCA registered 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.

#### **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.

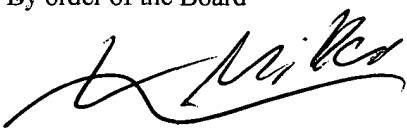
#### **DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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  
15<sup>th</sup> May 2015

**HERALD INVESTMENT MANAGEMENT LIMITED**

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

The directors are responsible for preparing the Strategic Report, 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 the directors are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 2015 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).

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](http://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 2015 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 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  
15th May 2015

**HERALD INVESTMENT MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015**

	<u>Notes</u>	<u>2015</u> £	<u>2014</u> £
Turnover	2	7,156,822	6,687,206
Other operating income		1,150	31,542
<b>OPERATING INCOME</b>		<u>7,157,972</u>	<u>6,718,748</u>
Administrative expenses before long term bonus award gains and losses		<u>(2,791,307)</u>	<u>(3,021,589)</u>
Long term bonus award accruals		(136,620)	(73,920)
Unrealised gains on investments		<u>204,192</u>	<u>113,440</u>
		67,572	39,520
Administrative expenses		<u>(2,723,735)</u>	<u>(2,982,069)</u>
<b>OPERATING PROFIT BEFORE LONG TERM BONUS AWARD GAINS AND LOSSES</b>		<u>4,366,665</u>	<u>3,697,159</u>
<b>OPERATING PROFIT</b>	3	4,434,237	3,736,679
Interest receivable and similar income	6	58,025	66,256
Net loss on sale of investments		(950)	(4,741)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>4,491,312</u>	<u>3,798,194</u>
Taxation	7	(938,629)	(249,365)
<b>PROFIT FOR THE YEAR</b>		<u><u>3,552,683</u></u>	<u><u>3,548,829</u></u>
Basic and fully diluted earnings per share		386.5p	386.1p

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 2015**

	Notes	£	2015 £	2014 £
<b>FIXED ASSETS</b>				
Tangible assets	9	50,071	40,163	
Investments	10a	<u>2,371,202</u>	<u>1,567,010</u>	1,607,173
			2,421,273	
<b>CURRENT ASSETS</b>				
Investments	10b	1,236,100	1,391,112	
Debtors	11	1,377,916	968,246	
Cash at bank and in hand		<u>883,491</u>	<u>1,213,884</u>	
		3,497,507	3,573,242	
<b>CREDITORS</b>				
Amounts falling due within one year	12	<u>(1,350,891)</u>	<u>(1,525,209)</u>	
<b>NET CURRENT ASSETS</b>			2,146,616	2,048,033
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>4,567,889</u>	<u>3,655,206</u>
<b>CREDITORS</b>				
Amounts falling due after more than one year	13	(159,387)	(35,326)	
<b>NET ASSETS</b>			<u>4,408,502</u>	<u>3,619,880</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	14		919	919
Share premium account	15		142,103	142,103
Other distributable reserve	15		1,267,798	1,267,798
Revaluation reserve	15		40,910	47,446
Profit and loss account	15		2,956,772	2,161,614
<b>SHAREHOLDERS' FUNDS</b>	16		<u>4,408,502</u>	<u>3,619,880</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

15 th May 2015

Company registration number 2877061



A B Miller

Company Secretary

**HERALD INVESTMENT MANAGEMENT LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015**

	<u>2015</u> <u>£</u>	<u>2014</u> <u>£</u>
Profit for the year	3,552,683	3,548,829
Unrealised losses on available for sale investments	(8,921)	(154,409)
Deferred tax on short term available for sale investment gains	2,385	(12,612)
<b>TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR</b>	<u><u>3,546,147</u></u>	<u><u>3,381,808</u></u>

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 2015**

#### **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 financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial instruments in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Principles (UK GAAP).

#### **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 antique decorative items, 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 26 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. 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.

In 2010, all long term financial assets held by the Company were re-classified from available for sale to fair value through profit or loss. Other financial assets remain held as available for sale.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented on the face of the profit and loss account as unrealised gains / losses on investments.

Available for sale financial assets are those non-derivative financial assets that are designated as such. After initial recognition available for sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

If an available for sale asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from equity to the profit and loss account. Reversals of impairment losses in respect of equity instruments classified as available for sale are not recognised in the profit and loss account.

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

## **HERALD INVESTMENT MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2015**

#### **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 19.

##### **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 FRS1 (Revised 1996) 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 does not operate any pension schemes on behalf of its employees. However, the Company 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.

#### **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>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Depreciation charge	49,901	50,371
Operating lease rentals - land and buildings	230,000	230,000
Auditors' remuneration:		
<i>Audit of these financial statements</i>	12,800	12,500
<i>Audit of Client Assets</i>	3,000	2,000
Amounts receivable by auditors and their associates in respect of:		
<i>Audit of financial statements of subsidiaries</i>	7,100	6,700

**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**4. REMUNERATION OF DIRECTORS**

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Directors' emoluments	<u>332,646</u>	<u>311,642</u>

The aggregate of emoluments of the highest paid director was £247,500 (2014: £247,500). No pension contributions are made by the Company on behalf of any directors.

**5. STAFF COSTS (including directors)**

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Wages and salaries	1,238,203	1,245,852
Social security costs	153,633	158,969
Pension costs	56,354	85,624
	<u>1,448,190</u>	<u>1,490,445</u>
Average number of employees during the year	<u>13</u>	<u>15</u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Bank interest	734	748
Other	57,291	65,508
	<u>58,025</u>	<u>66,256</u>

**7. TAXATION**

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
<b>a) Analysis of the tax charge for the year</b>		
UK corporation tax on profits for the year	924,009	886,240
Adjustments in respect of prior periods	(16,809)	(46,233)
Total current tax charge	<u>907,200</u>	<u>840,007</u>
<i>Deferred tax</i>		
Origination of timing differences	33,111	35,326
Adjustments in respect of prior periods	(1,682)	(625,968)
Total deferred tax	<u>31,429</u>	<u>(590,642)</u>
Tax on profit on ordinary activities	<u>938,629</u>	<u>249,365</u>

**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**7. TAXATION (continued)**

**b) Factors affecting the tax charge for the current year**

The effective rate of tax in the year is 20.9% (2014: 6.6%). The current tax charge for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%).

The differences are explained below:

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Profit on ordinary activities before taxation	4,491,312	3,798,194
Corporation tax at 21% (2014: 23%)	943,176	873,585
<i>Factors adjusted for:</i>		
Disallowed expenses	31,299	93,705
Non taxable income	(2,638)	(2,889)
Capital allowances greater than depreciation	(4,825)	(52,435)
Unrealised gains on investments	(42,882)	(26,093)
Short term timing differences	(121)	367
Origination of timing differences in respect of deferred tax	33,111	35,326
Adjustments in respect of prior period deferred tax	(1,682)	(625,968)
Adjustments in respect of prior periods	(16,809)	(46,233)
Tax charge for the year	<u>938,629</u>	<u>249,365</u>

There is a deferred tax asset of £134,608 arising from timing differences on accelerated capital allowances, unpaid bonuses and provisions (2014: £133,226). There is an offsetting tax liability of £211,951 (2014: £181,165) from the listed investments - see note 10. The resulting deferred taxation liability is included in creditors.

**8. DIVIDENDS**

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>pence per</u>	<u>pence per</u>		
	<u>share</u>	<u>share</u>	<u>£</u>	<u>£</u>
Interim dividend paid	100	100	919,175	919,176
Second interim dividend	100	180	919,175	1,654,515
Final dividend	100	-	919,175	-
Total dividends for the year	<u>300</u>	<u>280</u>	<u>2,757,525</u>	<u>2,573,691</u>

**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**9. TANGIBLE ASSETS**

	Fixtures & fittings £	Computer equipment £	Antiques £	Total £
<i>Cost:</i>				
At 1 April 2014	198,120	173,762	23,774	395,656
Additions	23,128	36,681	-	59,809
At 31 March 2015	221,248	210,443	23,774	455,465
<i>Depreciation:</i>				
At 1 April 2014	181,731	173,762	-	355,493
Charge for the year	13,220	36,681	-	49,901
At 31 March 2015	194,951	210,443	-	405,394
<i>Net book value:</i>				
At 31 March 2014	16,389	-	23,774	40,163
At 31 March 2015	26,297	-	23,774	50,071

**10. INVESTMENTS**

**(a) Non-current assets**

	2015 £	2014 £
Loans and receivables	350,000	100,000
Fair value through profit or loss investments	1,420,960	1,216,768
Available for sale investments	600,000	250,000
Investment in subsidiaries	102	102
Investment in associates	140	140
	<u>2,371,202</u>	<u>1,567,010</u>

**(b) Current assets**

	2015 £	2014 £
Available for sale investments	<u>1,236,100</u>	<u>1,391,112</u>

Both the fair value through profit or loss and the available for sale investments in current assets are listed equity, 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 £211,951 (2014 - £181,165). The loans and receivables, investments in subsidiaries and associates and non-current available for sale investments are unlisted and held at cost.

**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**10. INVESTMENTS (continued)**

**(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>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Acquisition cost b/fwd	1,745,191	1,541,232
Revaluation surplus b/fwd	<u>862,689</u>	<u>903,657</u>
Fair value b/fwd	2,607,880	2,444,889
Disposals at cost	(146,091)	(354,741)
Unrealised losses / (gains) on disposals b/fwd	<u>3,791</u>	<u>(5,454)</u>
Fair value b/fwd disposed	(142,300)	(360,195)
Additions at cost	-	558,700
Unrealised losses on additions	<u>-</u>	<u>(7,352)</u>
Fair value c/fwd of additions	-	551,348
Revaluation of investments not traded during the period	191,480	(28,162)
Fair value c/fwd	<u><u>2,657,060</u></u>	<u><u>2,607,880</u></u>

The historical cost of the listed investments is £1,599,100 (2014 - £1,745,191).

**(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

**11. DEBTORS**

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Trade debtors	14,091	18,216
Prepayments and accrued income	804,414	786,239
Called up share capital not paid	162,570	162,570
Amounts owed by group undertakings	395,375	-
Other debtors	1,466	1,221
	<u><u>1,377,916</u></u>	<u><u>968,246</u></u>



**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**12. CREDITORS: Amounts falling due within one year**

	<u>2015</u>	<u>2014</u>
	£	£
Trade creditors	98,125	89,085
Corporation tax payable	376,377	623,476
Deferred tax liability	10,227	12,612
Other taxes and social security costs	6,668	23,980
Accruals and deferred income*	858,879	775,441
Other creditors	615	615
	<u>1,350,891</u>	<u>1,525,209</u>

\* including bonus award accruals

**13. CREDITORS: Amounts falling due after one year**

	<u>2015</u>	<u>2014</u>
	£	£
Deferred tax liability	<u>159,387</u>	<u>35,326</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 offsetable 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 those of Herald GP II Limited. In 2014, tax due in Herald GP II Limited was £177,236 which was borne by the Company. The remainder of the brought forward deferred tax balance of £625,968 was not expected to crystallise and was credited to the taxation charge as an adjustment to prior period deferred tax in 2014.

**14. SHARE CAPITAL**

	<u>2015</u>	<u>2014</u>
	£	£
<i>Allotted and called up:</i>		
899,675 (2014: 899,675) ordinary shares of 0.1p each, fully paid	900	900
19,500 (2014: 19,500) ordinary shares of 0.1p each, nil paid	<u>19</u>	<u>19</u>
	<u>919</u>	<u>919</u>

The weighted average number of ordinary shares in issue during the year was 919,175 (2014: 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".

**15. RESERVES**

	Share premium account	Other distributable reserve	Revaluation reserve	Profit and loss account
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
	£	£	£	£
Balance at 1 April 2014	142,103	1,267,798	47,446	2,161,614
Unrealised losses on available for sale investments held	-	-	(12,712)	-
Unrealised loss on available for sale investments disposed	-	-	3,791	-
Deferred tax on short term available for sale investment gains	-	-	2,385	-
Profit for the financial year	-	-	-	3,552,683
Dividends	-	-	-	(2,757,525)
Balance at 31 March 2015	<u>142,103</u>	<u>1,267,798</u>	<u>40,910</u>	<u>2,956,772</u>

**HERALD INVESTMENT MANAGEMENT LIMITED**

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**16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Opening shareholders' funds	3,619,880	2,853,559
Profit for the financial year	3,552,683	3,548,829
Dividends	(2,757,525)	(2,573,687)
Transfer to parent of ordinary shares	-	(41,800)
Unrealised losses on available for sale investments held	(12,712)	(148,955)
Unrealised loss on available for sale investments disposed	3,791	(5,454)
Deferred tax on short term available for sale investments	2,385	(12,612)
Closing shareholders' funds	<u>4,408,502</u>	<u>3,619,880</u>

**17. FINANCIAL COMMITMENTS**

Annual commitments under non-cancellable operating leases expiring:

	<u>2015</u>	<u>2014</u>
<i>Land and buildings</i>		
After 5 years	£230,000	£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 £168,890 from HVLP I (2014 - £NIL) and £433,741 from HVLP II (2014 - £501,391). There were unsettled fees of £395,375 at year end (2014 - £NIL).

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 £260,158 (2014: £269,751) in respect of management services. As at 31 March 2015 £13,995 (2014 - £13,434) 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.