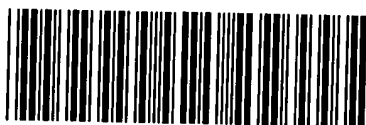


**HERALD INVESTMENT**  
**MANAGEMENT LIMITED**

**Audited Report and Accounts**  
**for the year ended 31 March 2019**

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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*

J D S Booth  
*Non - Executive Director*

V J Donegan  
*Non - Executive Director*

J G K Matterson  
*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: 02877061

**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 2019.

#### **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 £10.4m (2018: £10.1m) and profit on ordinary activities before taxation decreasing to £4.9m (2018: £5.4m). 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 £0.4m to £10.4m due to increases in the net asset value of funds advised over the period, caused by the upwards move in global stock markets and prices.

#### **RESULTS AND DIVIDENDS**

The results for the year to 31 March 2019 are set out on page 9 of the financial statements and the movement in reserves is shown in note 15. The profit for the financial year was £3,974,887 (2018: £4,332,215).

An interim dividend of 200p per share was paid on 20th September 2018 and a final dividend of 100p per share was paid on 29th March 2019. Total dividends paid amounted to £2,852,525 or 300p per share (2018: £3,304,613 or 350p per share).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

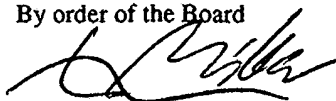
The principal risk facing the Company is that clients may find the performance of the investment vehicles managed unsatisfactory and withdraw the Company's mandate. The Company's largest investment vehicle managed has a one year notice period and the role of investment manager is subject to a continuation 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 Company's 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 potentially 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  
31st May 2019

## **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 2019. 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 who all held office throughout the period, are listed on page 3.

#### **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.

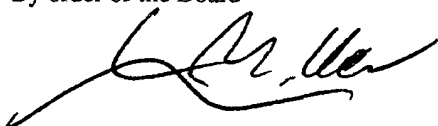
#### **DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

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  
31st May 2019

**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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

**Opinion**

We have audited the financial statements of Herald Investment Management Limited ("the Company") for the year ended 31 March 2019 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**The impact of uncertainties due to Britain exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

**Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; 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**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

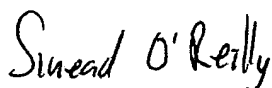
#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

#### **The purpose of our audit work and to whom we owe our responsibilities**

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.



Sinead O'Reilly (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
3 June 2019



**HERALD INVESTMENT MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	<u>Notes</u>	<u>2019</u> £	<u>2018</u> £
Turnover	2	10,363,266	10,072,723
Other operating income		6,391	4,950
<b>OPERATING INCOME</b>		<u>10,369,657</u>	<u>10,077,673</u>
Administrative expenses before long term bonus award gains and losses		<u>(5,438,432)</u>	<u>(4,512,804)</u>
Long term bonus award accruals		(334,357)	(205,844)
Unrealised gains on investments held for long term bonus		298,800	220,800
		<u>(35,557)</u>	<u>14,956</u>
Administrative expenses		<u>(5,473,989)</u>	<u>(4,497,848)</u>
<b>OPERATING PROFIT BEFORE LONG TERM BONUS AWARD GAINS AND LOSSES</b>		<u>4,931,225</u>	<u>5,564,869</u>
<b>OPERATING PROFIT</b>	3	4,895,668	5,579,825
Interest receivable and similar income	6	97,725	74,153
Unrealised losses on investments		(206,616)	(281,252)
Net profit / (loss) on sale of investments		97,837	(4,838)
<b>PROFIT BEFORE TAXATION</b>		4,884,614	5,367,888
Taxation	7	(909,727)	(1,035,673)
<b>PROFIT FOR THE YEAR</b>		<u>3,974,887</u>	<u>4,332,215</u>
Basic and fully diluted earnings per share	14	418.8p	458.8p

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 12 to 18 form an integral part of these financial statements.

**HERALD INVESTMENT MANAGEMENT LIMITED**

**BALANCE SHEET AT 31 MARCH 2019**

	<u>Notes</u>	<u>£</u>	<u>2019</u> <u>£</u>	<u>2018</u> <u>£</u>
<b>FIXED ASSETS</b>				
Tangible assets	9	34,249	23,774	
Investments	10a	<u>2,666,960</u>	<u>3,384,981</u>	
			2,701,209	3,408,755
<b>CURRENT ASSETS</b>				
Investments	10b	747,195	999,409	
Debtors	11	2,320,637	1,985,359	
Cash at bank and in hand		<u>3,828,114</u>	<u>1,660,529</u>	
		6,895,946	4,645,297	
<b>CREDITORS</b>				
Amounts falling due within one year	12	<u>(2,085,947)</u>	<u>(1,942,157)</u>	
<b>NET CURRENT ASSETS</b>			4,809,999	2,703,140
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>7,511,208</u>	<u>6,111,895</u>
<b>CREDITORS</b>				
Amounts falling due after more than one year	13	(107,507)	(31,959)	
<b>NET ASSETS</b>			<u>7,403,701</u>	<u>6,079,936</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	14	964	944	
Share premium account	15	569,958	368,578	
Other reserves	15	1,267,798	1,267,798	
Profit and loss account	15	5,564,981	4,442,616	
<b>SHAREHOLDERS' FUNDS</b>	16	<u>7,403,701</u>	<u>6,079,936</u>	

The financial statements on pages 9 to 18 were approved and authorised for issue on behalf of the board by



K J Potts  
Managing Director  
31st May 2019  
Company registration number 02877061



A B Miller  
Company Secretary

**HERALD INVESTMENT MANAGEMENT LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019**

	<u>Called up share capital</u> £	<u>Share premium</u> £	<u>Other reserves</u> £	<u>Profit &amp; loss account</u> £	<u>Shareholders' Funds</u> £
<b>Balance at 1 April 2017</b>	944	368,578	1,267,798	3,415,014	5,052,334
Profit for the year and total comprehensive income	-	-	-	4,332,215	4,332,215
Dividends	-	-	-	(3,304,613)	(3,304,613)
<b>Balance at 1 April 2018</b>	944	368,578	1,267,798	4,442,616	6,079,936
Profit for the year and total comprehensive income	-	-	-	3,974,887	3,974,887
Dividends	-	-	-	(2,852,522)	(2,852,522)
Issue of shares	20	201,380	-	-	201,400
<b>Balance at 31 March 2019</b>	964	569,958	1,267,798	5,564,981	7,403,701

The notes on pages 12 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 2019**

#### **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 United Kingdom.

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) 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

##### **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 held at 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.

The loans and receivables and investments in subsidiaries and associates are unlisted and held at cost less impairment.

##### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances.

##### **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.

## **HERALD INVESTMENT MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2019**

#### **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 interest 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>2019</u> £	<u>2018</u> £
Depreciation charge	28,549	33,533
Operating lease rentals - land and buildings	367,430	367,430
Auditor's remuneration:		
<i>Audit of these financial statements</i>	19,000	18,750
Amounts payable to the auditor and their associates in respect of:		
<i>Audit of financial statements of subsidiaries</i>	8,750	8,750
<i>Other services relating to taxation</i>	2,250	2,060

**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4. REMUNERATION OF DIRECTORS**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Directors' emoluments	<u>323,500</u>	<u>487,309</u>

The aggregate of emoluments of the highest paid director was £247,500 (2018: £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 10b.

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

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Wages and salaries	1,547,828	1,714,048
Social security costs	191,613	205,258
Pension costs	236,272	159,861
	<u>1,975,713</u>	<u>2,079,167</u>
Average number of employees during the year	<u>15</u>	<u>16</u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Bank interest	27,950	6,197
Interest on loans and bonds	69,775	67,956
	<u>97,725</u>	<u>74,153</u>

**7. TAXATION**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
<b>a) Analysis of the tax charge for the year</b>		
UK corporation tax on profit for the year	899,400	1,041,854
Adjustments in respect of prior periods	<u>(52,287)</u>	<u>9,399</u>
Total current tax charge	<u>847,113</u>	<u>1,051,253</u>
<i>Deferred tax</i>		
Origination of timing differences	26,064	(15,580)
Adjustments in respect of prior periods	<u>36,550</u>	<u>-</u>
Total deferred tax	<u>62,614</u>	<u>(15,580)</u>
Tax on profit	<u>909,727</u>	<u>1,035,673</u>

# **HERALD INVESTMENT MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

### **7. TAXATION (continued)**

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

The effective rate of tax in the year is 18.6% (2018: 19.3%). The current tax charge for the year is lower (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are explained below:

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Profit before taxation	4,884,614	5,367,888
Corporation tax at 19% (2018: 19%)	928,077	1,019,899
<i>Factors adjusted for:</i>		
Disallowed expenses	17,743	7,033
Non taxable income	(2,387)	(2,385)
Capital allowances greater than depreciation	(14,491)	(743)
Increase in directors bonus accrual net of hedges	6,756	11,858
Unrealised (gains) / losses on investments	(18,857)	11,486
Profit and loss on sale of investments	(17,441)	(5,294)
Origination of timing differences in respect of deferred tax	26,064	(15,580)
Adjustments in respect of prior period deferred tax	36,550	-
Adjustments in respect of prior periods	(52,287)	9,399
<b>Tax charge for the year</b>	<u><b>909,727</b></u>	<u><b>1,035,673</b></u>

There is a deferred tax asset of £201,541 arising from timing differences on accelerated capital allowances, unpaid bonuses and provisions (2018: £146,896). There is an offsetting tax liability of £255,627 (2018: £204,832) from listed investments - see note 10. The resulting deferred taxation liability is included in creditors.

### **8. DIVIDENDS**

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>pence per share</u>	<u>pence per share</u>	<u>£</u>	<u>£</u>
Interim dividend paid	200	100	1,888,350	944,175
Second interim dividend	-	100	-	944,175
Final dividend	100	150	964,175	1,416,263
<b>Total dividends for the year</b>	<u><b>300</b></u>	<u><b>350</b></u>	<u><b>2,852,525</b></u>	<u><b>3,304,613</b></u>

### **9. TANGIBLE ASSETS**

	<u>Fixtures &amp; 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 2018	225,952	263,429	23,774	513,155
Additions	11,784	27,240	-	39,024
At 31 March 2019	<u>237,736</u>	<u>290,669</u>	<u>23,774</u>	<u>552,179</u>
<i>Depreciation:</i>				
At 1 April 2018	225,952	263,429	-	489,381
Charge for the year	1,309	27,240	-	28,549
At 31 March 2019	<u>227,261</u>	<u>290,669</u>	<u>-</u>	<u>517,930</u>
<i>Net book value:</i>				
At 31 March 2018	-	-	23,774	23,774
At 31 March 2019	<u>10,475</u>	<u>-</u>	<u>23,774</u>	<u>34,249</u>

**HERALD INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**10. INVESTMENTS**

**(a) Non-current assets**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Loans and receivables	-	785,000
Fair value through profit or loss investments-quoted	2,666,859	2,212,964
Fair value through profit or loss investments-unquoted	-	386,775
Investment in subsidiaries	101	102
Investment in associates	-	140
	<u>2,666,960</u>	<u>3,384,981</u>

**(b) Current assets**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Fair value through profit or loss investments-quoted	<u>747,195</u>	<u>999,409</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 £388,313 (2018 - £324,086). The loans and receivables and investments in subsidiaries and associates are unlisted and held at cost less impairment.

**(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>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Acquisition cost b/fwd	1,305,973	1,567,613
Revaluation surplus b/fwd	<u>1,906,400</u>	<u>1,585,764</u>
Fair value b/fwd	3,212,373	3,153,377
Disposals at cost	(205,264)	(261,640)
Unrealised (gains) / losses on disposals b/fwd	<u>(20,239)</u>	<u>27,863</u>
Fair value b/fwd disposed	(225,503)	(233,777)
Revaluation of investments not traded during the period	427,184	292,773
Fair value c/fwd	<u>3,414,054</u>	<u>3,212,373</u>

The historical cost of the listed investments is £1,100,709 (2018 - £1,305,972).

**(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 INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. DEBTORS**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Trade debtors	26,157	28,307
Prepayments and accrued income	1,955,809	1,819,702
Called up share capital not paid	337,300	135,900
Other debtors	1,371	1,450
	<u>2,320,637</u>	<u>1,985,359</u>

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

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Trade creditors	49,843	15,725
Corporation tax payable	358,430	616,854
Deferred tax liability	-	12,934
Other taxes and social security costs	36,543	5,205
Accruals and deferred income*	1,636,392	1,291,438
Other creditors	4,739	1
	<u>2,085,947</u>	<u>1,942,157</u>

\* including bonus award accruals

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

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Deferred tax liability	<u>107,507</u>	<u>31,959</u>

**14. SHARE CAPITAL**

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
<i>Allotted and called up:</i>		
929,175 (2018: 929,175) ordinary shares of 0.1p each, fully paid	929	929
35,000 (2018: 15,000 ) ordinary shares of 0.1p each, nil paid	<u>35</u>	<u>15</u>
	<u>964</u>	<u>944</u>

The weighted average number of ordinary shares in issue during the year was 949,107 (2018: 944,175).

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 2019

#### 15. RESERVES

	Share premium account £	Other distributable reserve £	Profit and loss account £
Balance at 1 April 2017	368,578	1,267,798	3,415,014
Profit for the year and total comprehensive income	-	-	4,332,215
Dividends	-	-	(3,304,613)
Balance at 1 April 2018	368,578	1,267,798	4,442,616
Profit for the year and total comprehensive income	-	-	3,974,887
Dividends	-	-	(2,852,522)
Issue of shares	201,380	-	-
Balance at 31 March 2019	569,958	1,267,798	5,564,981

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

	<u>2019</u> £	<u>2018</u> £
Opening shareholders' funds	6,079,936	5,052,334
Profit for the year and total comprehensive income	3,974,887	4,332,215
Dividends	(2,852,522)	(3,304,613)
Issue of shares	201,400	-
Closing shareholders' funds	7,403,701	6,079,936

#### 17. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases expiring:

	<u>2019</u>	<u>2018</u>
<i>Land and buildings</i>		
Between 1 and 5 years	£367,430	£367,430

#### 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 until 10 June 2017 and HV I until 31st August 2011. 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. From 10 June 2017 there will be no further profit share from HV II.

The fees for advisory services received during the year by the Company were £12,420 from HV I (2018 - £NIL) and £NIL from HV II (2018 - £80,633). There were unsettled fees of £NIL at year end (2018 - £NIL).

J G K Matterson is a director of the Company and is also a partner in Rossie House Investment Management LLP. From 1st June 2018 Rossie House Investment Management LLP entered into a tenancy at will for premises at the offices of the Company at an annual rental of £5,000.

#### 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.