

**HERALD INVESTMENT
MANAGEMENT LIMITED**

**Audited Report and Accounts
for the year ended 31 March 2021**



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

BDO LLP
55 Baker Street
London
W1U 7EU

REGISTERED IN ENGLAND

No: 02877061

BANKER

Barclays Bank plc
Level 12
1 Churchill Place
London
E14 5HP

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 2021.

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 £16.0m (2020: £11.7m) and profit on ordinary activities before taxation increasing to £9.7m (2020: £5.6m). 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 £4.3m to £16.0m due to increases in the net asset value of funds advised over the year.

RESULTS AND DIVIDENDS

The results for the year to 31st March 2021 are set out on page 11 of the financial statements and the movement in reserves is shown in note 16. The profit for the financial year was £7,827,370 (2020: £4,509,393).

An interim dividend of 200p per share was paid on 28th September 2020 and a final dividend of 300p per share was paid on 22nd March 2021. Total dividends paid amounted to £4,870,874 or 500p per share (2020: £2,902,526 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 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 December 2019 an initial outbreak of coronavirus was reported in Hubei, China. As the spread of the coronavirus increased, it had an immediate impact on equity markets, with falls across all major stock exchanges. However the sectors in which the Company invests proved resilient, with minimal adverse effect. There may be an adverse impact in due course from the economic consequences, or some other unanticipated event.

In relation to the assessment and monitoring of economic, political and regulatory risks, the Company currently believes that the UK's decision to leave the EU will not present a significant threat to the Company's business model. The mandates for the funds under management are global, and many of the products and services targeted are exempt from tariffs in the targeted technology sector. Furthermore the board believes the UK is a world leader in the development and delivery of, in particular, innovative technological solutions and the directors see no reason why this should change.

HERALD INVESTMENT MANAGEMENT LIMITED

STRATEGIC REPORT (continued)

GOING CONCERN

The directors have undertaken a rigorous review of the Company's ability to continue as a going concern, taking into account the impact of COVID-19 on the Company. At 30 April 2021, the net asset value of the largest investment vehicle managed by the Company was 84.6% higher than as at 1 April 2020, the beginning of the accounting period for these financial statements. Consequently, Company revenues have remained strong post year-end and the directors do not expect income to be significantly affected. As at 31 March 2021 the Company had £11.6m of cash and highly liquid assets and as such the directors are satisfied that the Company has adequate financial resources available to continue to be a going concern for at least 12 months from the date of approval of these financial statements. These financial statements have therefore been prepared on a going concern basis.

By order of the Board

A handwritten signature in black ink, appearing to read 'A B Miller', is written over a faint, dotted horizontal line.

A B Miller
Company Secretary
24th May 2021

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 2021. 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 they ought to have taken as a director to make themselves 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 BDO 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
24th May 2021

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).

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 are also responsible for safeguarding 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 on the 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Herald Investment Management Limited ("the Company") for the year ended 31 March 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These laws and regulations included but were not limited to compliance with the Companies Act 2006 and UK accounting standards.

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

We considered compliance with laws and regulations that could give rise to a material misstatement in the Company's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of directors and management;
- testing of journal postings made during the year to identify potential management override of controls ; and
- review of meeting minutes throughout the period.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:

Vanessa Bradley

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Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24th May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

HERALD INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

| | <u>Notes</u> | <u>2021</u> £ | <u>2020</u> £ |
|---|--------------|--------------------|--------------------|
| Turnover | 2 | 15,969,580 | 11,648,275 |
| Other operating income | | 1,075 | 10,650 |
| OPERATING INCOME | | <u>15,970,655</u> | <u>11,658,925</u> |
| Administrative expenses before long term bonus award gains and losses | | <u>(6,729,581)</u> | <u>(6,201,189)</u> |
| Long term bonus award accruals | | (1,118,012) | (143,680) |
| Unrealised gains on investments held for long term bonus | | 1,019,900 | 128,400 |
| | | <u>(98,112)</u> | <u>(15,280)</u> |
| Administrative expenses | | <u>(6,827,693)</u> | <u>(6,216,469)</u> |
| OPERATING PROFIT BEFORE LONG TERM BONUS AWARD GAINS AND LOSSES | | <u>9,241,074</u> | <u>5,457,736</u> |
| OPERATING PROFIT | 3 | 9,142,962 | 5,442,456 |
| Interest receivable and similar income | 6 | 28,962 | 58,888 |
| Interest payable and similar expenses | 7 | (5,280) | - |
| Unrealised gains on investments | | 529,752 | 18,900 |
| Net profit on sale of investments | | - | 45,836 |
| PROFIT BEFORE TAXATION | | <u>9,696,396</u> | <u>5,566,080</u> |
| Taxation | 8 | <u>(1,869,026)</u> | <u>(1,056,687)</u> |
| PROFIT FOR THE YEAR | | <u>7,827,370</u> | <u>4,509,393</u> |
| Basic and fully diluted earnings per share | 15 | 803.5p | 466.5p |

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 14 to 20 form an integral part of these financial statements.

HERALD INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AT 31 MARCH 2021

| | Notes | £ | 2021 £ | £ | 2020 £ |
|--|-------|--------------------|-------------------|--------------------|------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 10 | 202,443 | | 141,777 | |
| Investments | 11a | <u>5,367,773</u> | | <u>3,851,511</u> | |
| | | | 5,570,216 | | 3,993,288 |
| CURRENT ASSETS | | | | | |
| Investments | 11b | 643,207 | | 609,818 | |
| Debtors | 12 | 2,723,665 | | 2,357,332 | |
| Cash at bank and in hand | | <u>5,545,117</u> | | <u>4,742,067</u> | |
| | | 8,911,989 | | 7,709,217 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 13 | <u>(1,805,188)</u> | | <u>(2,445,551)</u> | |
| NET CURRENT ASSETS | | | 7,106,801 | | 5,263,666 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>12,677,017</u> | | <u>9,256,954</u> |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 14 | | (610,253) | | (146,686) |
| NET ASSETS | | | <u>12,066,764</u> | | <u>9,110,268</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 15 | | 974 | | 974 |
| Share premium account | 16 | | 669,648 | | 669,648 |
| Other reserves | 16 | | 1,267,798 | | 1,267,798 |
| Profit and loss account | 16 | | 10,128,344 | | 7,171,848 |
| SHAREHOLDERS' FUNDS | | | <u>12,066,764</u> | | <u>9,110,268</u> |

The financial statements on pages 11 to 20 were approved and authorised for issue on behalf of the board by



K J Potts
Managing Director
24th May 2021



A B Miller
Company Secretary

Company registration number 02877061

HERALD INVESTMENT MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

| | <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 2019 | 964 | 569,958 | 1,267,798 | 5,564,981 | 7,403,701 |
| Profit for the year and total comprehensive income | - | - | - | 4,509,393 | 4,509,393 |
| Dividends | - | - | - | (2,902,526) | (2,902,526) |
| Issue of shares | 10 | 99,690 | - | - | 99,700 |
| Balance at 1 April 2020 | <u>974</u> | <u>669,648</u> | <u>1,267,798</u> | <u>7,171,848</u> | <u>9,110,268</u> |
| Profit for the year and total comprehensive income | - | - | - | 7,827,370 | 7,827,370 |
| Dividends | - | - | - | (4,870,874) | (4,870,874) |
| Balance at 31 March 2021 | <u>974</u> | <u>669,648</u> | <u>1,267,798</u> | <u>10,128,344</u> | <u>12,066,764</u> |

The notes on pages 14 to 20 form an integral part of these financial statements.

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2021**

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, domiciled and registered in England and Wales 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 sterling.

The directors have undertaken a rigorous review of the Company's ability to continue as a going concern, taking into account the impact of COVID-19 on the Company. At 30 April 2021, the net asset value of the largest investment vehicle managed by the Company was 84.6% higher than as at 1 April 2020, the beginning of the accounting period for these financial statements. Consequently, Company revenues have remained strong post year-end and the directors do not expect income to be significantly affected. As at 31 March 2021 the Company had £11.6m of cash and highly liquid assets and as such the directors are satisfied that the Company has adequate financial resources available to continue to be a going concern for at least 12 months from the date of approval of these financial statements. These financial statements have therefore been prepared on a going concern basis.

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.

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; and
- Motor vehicles - 30% of cost on purchase and 30% thereafter on the reducing balance.

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 or sell 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 amortised cost less impairment.

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 2021**

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.

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.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the Company to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, that have had a significant effect on the amounts recognised in the financial statements, other than those involving estimations in the valuations of unquoted investments. The nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The estimates relate to the investments where there is no appropriate market price i.e. the unquoted investments. Whilst the Company considers the methodologies and assumptions adopted in the valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed. As at 31 March 2021, the Company does not have any single key assumption concerning the future, or other key sources of estimation uncertainty, that, in the directors' opinion has a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year.

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>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| | <u>£</u> | <u>£</u> |
| Depreciation charge | 88,981 | 118,436 |
| Operating lease rentals - land and buildings | 367,430 | 367,430 |
| Auditor's remuneration: | | |
| <i>Audit of these financial statements</i> | 19,158 | 17,425 |
| Amounts payable to the auditor and their associates in respect of: | | |
| <i>Audit of financial statements of subsidiaries</i> | 3,198 | 3,075 |

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

4. REMUNERATION OF DIRECTORS

| | <u>2021</u> | <u>2020</u> |
|-----------------------|------------------|----------------|
| | <u>£</u> | <u>£</u> |
| Directors' emoluments | <u>1,984,680</u> | <u>363,500</u> |

The aggregate of emoluments of the highest paid director was £1,194,155 (2020: £277,500). 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 Worldwide Technology Fund plc - see note 11b.

5. STAFF COSTS (including directors)

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| Wages and salaries | 4,113,086 | 2,026,250 |
| Social security costs | 549,610 | 254,663 |
| Pension costs | 225,488 | 193,313 |
| | <u>4,888,184</u> | <u>2,474,226</u> |
| Average number of employees during the year | <u>20</u> | <u>19</u> |

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|---------------|---------------|
| | <u>£</u> | <u>£</u> |
| Bank interest | 1,531 | 31,275 |
| Interest on loans and bonds | 27,431 | 27,613 |
| | <u>28,962</u> | <u>58,888</u> |

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | <u>2021</u> | <u>2020</u> |
|------------------------|--------------|-------------|
| | <u>£</u> | <u>£</u> |
| Other interest payable | 5,280 | - |
| | <u>5,280</u> | <u>-</u> |

8. TAXATION

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| a) Analysis of the tax charge for the year | | |
| UK corporation tax on profit for the year | 1,405,436 | 1,024,146 |
| Adjustments in respect of prior periods | 23 | (6,638) |
| Total current tax charge | <u>1,405,459</u> | <u>1,017,508</u> |
| <i>Deferred tax</i> | | |
| Origination of timing differences | 448,290 | 26,533 |
| Adjustments in respect of prior periods | 15,277 | 12,646 |
| Total deferred tax | <u>463,567</u> | <u>39,179</u> |
| Tax on profit | <u>1,869,026</u> | <u>1,056,687</u> |

HERALD INVESTMENT MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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8. TAXATION (continued)

b) Factors affecting the tax charge for the current year

The effective rate of tax in the year is 19.28% (2020: 18.98%). The current tax charge for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are explained below:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| Profit before taxation | 9,696,396 | 5,566,080 |
| Corporation tax at 19% (2020: 19%) | 1,842,315 | 1,057,555 |
| <i>Factors adjusted for:</i> | | |
| Disallowed expenses | 13,798 | 3,821 |
| Non taxable income | (2,387) | (2,393) |
| Capital allowances greater than depreciation | (12,282) | (21,351) |
| (Decrease)/increase in directors bonus accrual net of hedging | (334,052) | 2,903 |
| Unrealised gains on investments | (101,956) | (6,821) |
| Profit and loss on sale of investments | - | (8,733) |
| Short term timing differences | - | (835) |
| Origination of timing differences in respect of deferred tax | 448,290 | 26,533 |
| Adjustments in respect of prior period deferred tax | 15,277 | 12,646 |
| Adjustments in respect of prior periods | 23 | (6,638) |
| Tax charge for the year | <u>1,869,026</u> | <u>1,056,687</u> |

There is a deferred tax asset of £77,811 arising from timing differences on accelerated capital allowances, unpaid bonuses and provisions (2020: £245,641). There is an offsetting tax liability of £373,794 (2020: £286,727) from listed investments - see note 11. The resulting deferred taxation liability is included in creditors. It is expected that the implementation of the Finance Act 2021 will result in an increase of the deferred tax rate to 25%. The resultant change would produce a materially higher deferred tax charge.

9. DIVIDENDS

| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
|------------------------------|------------------------|------------------------|------------------|------------------|
| | <u>pence per share</u> | <u>pence per share</u> | <u>£</u> | <u>£</u> |
| Interim dividend paid | 200 | 200 | 1,948,349 | 1,928,351 |
| Final dividend | 300 | 100 | 2,922,525 | 974,175 |
| Total dividends for the year | <u>500</u> | <u>300</u> | <u>4,870,874</u> | <u>2,902,526</u> |

10. TANGIBLE ASSETS

| | Fixtures & fittings £ | Computer equipment £ | Motor Vehicles £ | Antiques £ | Total £ |
|------------------------|-----------------------------|----------------------------|------------------------|---------------|----------------|
| <i>Cost:</i> | | | | | |
| At 1 April 2020 | 233,032 | 362,113 | 159,224 | 23,774 | 778,143 |
| Additions | - | 9,602 | 140,045 | - | 149,647 |
| At 31 March 2021 | <u>233,032</u> | <u>371,715</u> | <u>299,269</u> | <u>23,774</u> | <u>927,790</u> |
| <i>Depreciation:</i> | | | | | |
| At 1 April 2020 | 226,485 | 362,113 | 47,768 | - | 636,366 |
| Charge for the year | 3,928 | 9,602 | 75,451 | - | 88,981 |
| At 31 March 2021 | <u>230,413</u> | <u>371,715</u> | <u>123,219</u> | <u>-</u> | <u>725,347</u> |
| <i>Net book value:</i> | | | | | |
| At 31 March 2020 | 6,547 | - | 111,456 | 23,774 | 141,777 |
| At 31 March 2021 | <u>2,619</u> | <u>-</u> | <u>176,050</u> | <u>23,774</u> | <u>202,443</u> |

HERALD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

11. INVESTMENTS

(a) Non-current assets

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| Fair value through profit or loss investments-quoted | 5,367,672 | 3,851,410 |
| Investment in subsidiaries | 101 | 101 |
| | <u>5,367,773</u> | <u>3,851,511</u> |

(b) Current assets

| | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|
| | <u>£</u> | <u>£</u> |
| Fair value through profit or loss investments-quoted | <u>643,207</u> | <u>609,818</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 Worldwide Technology Fund 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 £757,154 (2020 - £469,065). The investments in subsidiaries 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>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| Acquisition cost b/fwd | 1,973,134 | 1,100,709 |
| Revaluation surplus b/fwd | 2,488,094 | 2,313,345 |
| Fair value b/fwd | <u>4,461,228</u> | <u>3,414,054</u> |
| Disposals at cost | - | (127,575) |
| Unrealised gains on disposals b/fwd | - | 27,450 |
| Fair value b/fwd disposed | <u>-</u> | <u>(100,125)</u> |
| Additions at cost | - | 1,000,000 |
| Unrealised losses on additions | - | (10,496) |
| Fair value c/fwd of additions | <u>-</u> | <u>989,504</u> |
| Revaluation of investments not traded during the period | 1,549,651 | 157,795 |
| Fair value c/fwd | <u>6,010,879</u> | <u>4,461,228</u> |

The historical cost of the listed investments is £1,973,134 (2020 - £1,973,134).

(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 INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

12. DEBTORS

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 35,019 | 6,945 |
| Prepayments and accrued income | 2,387,546 | 1,907,736 |
| Called up share capital not paid | 301,100 | 437,000 |
| Other debtors | - | 5,651 |
| | <u>2,723,665</u> | <u>2,357,332</u> |

13. CREDITORS: Amounts falling due within one year

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 23,195 | 44,773 |
| Corporation tax payable | 650,436 | 504,146 |
| Other taxes and social security costs | 6,350 | 7,583 |
| Accruals and deferred income* | 1,125,207 | 1,889,049 |
| | <u>1,805,188</u> | <u>2,445,551</u> |

* including bonus award accruals

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

| | <u>2021</u> | <u>2020</u> |
|------------------------|----------------|----------------|
| | £ | £ |
| Deferred tax liability | <u>610,253</u> | <u>146,686</u> |

15. SHARE CAPITAL

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| | £ | £ |
| <i>Allotted and called up:</i> | | |
| 944,175 (2020: 929,175) ordinary shares of 0.1p each, fully paid | 944 | 929 |
| 30,000 (2020: 45,000) ordinary shares of 0.1p each, nil paid | <u>30</u> | <u>45</u> |
| | <u>974</u> | <u>974</u> |

The weighted average number of ordinary shares in issue during the year was 974,175 (2020: 966,641).

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 2021

16. RESERVES

| | Share premium account £ | Other distributable reserve £ | Profit and loss account £ |
|--|-------------------------------|--|---------------------------------|
| Balance at 1 April 2019 | 569,958 | 1,267,798 | 5,564,981 |
| Profit for the year and total comprehensive income | - | - | 4,509,393 |
| Dividends | - | - | (2,902,526) |
| Issue of shares | 99,690 | - | - |
| Balance at 1 April 2020 | 669,648 | 1,267,798 | 7,171,848 |
| Profit for the year and total comprehensive income | - | - | 7,827,370 |
| Dividends | - | - | (4,870,874) |
| Balance at 31 March 2021 | 669,648 | 1,267,798 | 10,128,344 |

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | <u>2021</u> £ | <u>2020</u> £ |
|--|-------------------|------------------|
| Opening shareholders' funds | 9,110,268 | 7,403,701 |
| Profit for the year and total comprehensive income | 7,827,370 | 4,509,393 |
| Dividends | (4,870,874) | (2,902,526) |
| Issue of shares | - | 99,700 |
| Closing shareholders' funds | <u>12,066,764</u> | <u>9,110,268</u> |

18. FINANCIAL COMMITMENTS

Total commitments under non-cancellable operating leases expiring:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------|-------------|
| <i>Land and buildings</i> | | |
| within 1 year | £322,130 | £358,378 |
| Between 1 and 5 years | £0 | £211,376 |

19. 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 I until September 2011 and HV II until 10 June 2017. 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 has been no further profit share from HV II.

HIML Holdings Limited, the Company's parent, is a partner in HVII. In 2021 the Company also received a management fee from HIML Holdings Limited.

The fees for advisory services received during the year by the Company were £119,600 from HV I (2020 - £14,283) and £NIL from HV II (2020 - £NIL) and £1,195,793 from HIML Holdings Limited (2020 - £NIL). There were unsettled fees of £NIL at year end (2020 - £NIL).

J G K Matterson is a director of the Company and also holds an interest 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.

20. 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.