HERALD INVESTMENT TRUST plc

Interim Report

For the six months ended 30 June 1999

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Investment Policy

The policy of the Company is to achieve capital appreciation through investments in smaller quoted companies, principally in the UK but also in the rest of the world, in the areas of communications and multi-media. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies.

CHAIRMAN'S REVIEW

This is the sixth interim statement for the Trust, and I am delighted to be able to report the highest percentage increase in assets in any six month period since inception, with an overall capital increase of 32.6%. However, this has been achieved against a more sympathetic background for valuations of smaller companies. In general, business conditions in the underlying investments have been sound and the manager believes that the re-rating in the first half is fully justified and reflects a partial catch-up with the revaluation previously seen in larger companies. It is also pleasing to be able to report strong contributions from Europe and the Far East, although the exposure to these markets remains small. The inclusion of the Norwegian software company, Avenir, and the Malaysian newspaper, the Star, in the list of top 20 holdings reflects particularly useful contributions from these investments. These along with the returns on most of the other holdings in the top 20 were the more rewarding because they significantly reflected the benefits of a readjustment to the portfolio last year away from software service companies. It is notable that over this period the FTSE-IT index has, in contrast, been relatively lacklustre. The performance was more broadly based than last year, with 23 stocks appreciating by in excess of £1 million, and in aggregate contributing to a rise in assets of £40 million, across a diverse range of companies and sectors.

Performance has also benefited from the shake out in the market last year which, particularly in retrospect, provided a wonderful opportunity to buy back warrants. In total, over 6 million warrants were acquired for cancellation last year, significantly reducing the dilutive effect on the asset rise this year. Whilst volatile markets can be unnerving for investors, they can provide good opportunities for adjusting the portfolio, particularly in a closed end vehicle such as an investment trust.

Summary of Performance

	At inception 16 February 1994	At 31 December 1998	At 30 June 1999	Performance since 31 December 1998	Performance since inception
Basic NAV per share	98.7p	206.25p	273.54p*	+32.6%	+177.1%
Fully diluted					
NAV per share	98.9p	200.31p	263.96p*	+31.8%	+166.9%
Share price	90.9p	161.5p	241.0p	+49.2%	+165.1% 4
Warrant price	45.5p	77.5p	140.5p	+81.3%	+208.8%
FT-SE 100 Index	3,417.7	5,882.60	6,318.5	+7.4%	+84.9%
HGSC Index					
(ext. cap gains ex IT)	1,750.0	1,818.72	2,330.18	+28.1%	+33.2%
Russell 2000					
Technology Index	-	157.04	184.71	+17.6%	_

^{*}The NAV figures are stated on a capital only basis, and do not include any income retention at that date. This is because the Company only pays one dividend per year and no provision has been made at this stage. However, the NAV figures given after the Balance Sheet do include the Revenue Reserve uplift for the period. The fully diluted NAV figures given after the Balance Sheet take into account the price of the ordinary shares at the period ends, as required by FRS 14.

Capital Performance of the Trust from 31 December 1998 to 30 June 1999

 UK Equities
 +34.3%

 European Equities
 +49.6%

 US Equities
 +19.2%

 Other Overscas Equities
 +39.2%

 Total Portfolio
 +32.6%

Herald Investment Trust is continuing its policy to pay annual dividends only, reflecting the emphasis on capital growth. The Trust's income has declined this year in spite of the fact that dividends have almost invariably risen. This reflects the number of acquisitions last year of higher yielding stocks, the reduced levels of interest income due to lower interest rates and a more fully invested position. The modest inverset charge reflects the interest payable on a Yen con equivalent to CA shillion put in place at the start of this year, however the rate of interest sayable is lower than the interest received on screlling deposits, so this has not adversaly affected exturns. Second half profits should be higher on current income projections.

For most of 1997 and 1998 the performance of the Trust led the tables for Smaller and International Smaller Companies. In the first half of 1999, although the Trust outperformed is most relevant benchmark, the HGSCI by over 4%, it did not bread the tables in the first half, as performance from other section picked up. However, the record has been sufficient to make the Trust one of the top performers, in any market, over the last five years. And it is a steady long-term record that the manager seeks above all.

Last year the market was unnerved in the third quarter by instability in Atian economies, and by excessively leveraged hedge funds threatening to destabilise financial institutions. Whilst where fears have receded, the recent strong performance and historically high overall market valuations, inevirably make us look for the near storm. The two outstanding positive elements are the low level of interest rates, and the increasing appetite for equity savings in the developed would. The greatest rates to equities would seem to come from a reversal of the decline in interest rates reflecting a robust US economy and the recent starp rise in the price of extrain commodities, albeit offiset by the deflationary effects of the ever increasing efficiency of world communications. On balance we continue to believe that the case for investing in a portfolio focusing on the growth markets of technology and media remains firmly intact, wherever the march background.

Martin Boase

4th August 1999

STATEMENT OF TOTAL RETURN for the six months ended 30 June 1999 (Unaudited)

88.1. (1.98) (1.98) (1.98) 45.48p 39,604 47.78 8 44.83p 47.11p 39,052 39,052 0.63p 0.67p 1,957 552 8 68.83p 67.87p (139) 56,279 Six months to 30 June 1999 65.37p 55,889 0.46p 0.47 Revenue £'000 Investment management fee Return on ordinary activities after taxation Currency gain/loss Loss on warrant repurchase Net return before tax Return per Ordinary Gains on investments - Fully diluted Other expenses Taxation

The basic return per Ordinary share calculations are based on a weighted average number of shares in issue during each period. For the period to 30 Jane 1999, the weighted average number of Ordinary shares was 82,721,642 (1998; 82,899,160).

The fully-diluted returns per Ordinary share have been calculated on the weighted average share warrants in itsus during the period adjunted by the difference between the average price of the Ordinary share during the period adjunted by the difference between the average price of the Ordinary shares (1998 87 007-600) shares. The unadjusted fully-diluted number of shares at 30 june 1999 was 87,807,349 compared to 91,898,086 at 30 june 1999.

SUMMARISED BALANCE SHEET

at 30 June 1999 (Unaudited)

31 December 1998	5.305 165,677	170,982	20,725 67,827 222,2	50,836 27,727 1,635	170,982	206.25p 201.70p
30 June 1999	217,519 12,694	221,222	20,740 67,900 2,205	64,012 70,440 2,025	22,722	274.01 p 264.95p
					y share	
famer 1	Investments Net current assers Currency loan	Shareholders' funds Capital and Reserves:	Share capital Share premium account Warrant reserve Capital reserve	Resilised Unrealised Revenue reserve	Not Asset Value per Ordinary share	- Basic - Fully diluted

The Balance Sheet 213 December 1998 is an abridged version of that contained in the full Accounts for that year, which received as usequalified audit report and which have been filed with the Registras of Companies.

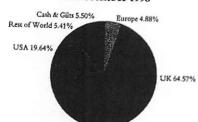
TOP TWENTY HOLDINGS

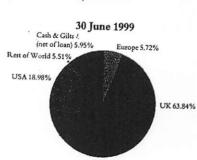
in companies, by market value at 30 June 1999

Company	Sector	£'000	% of portfolio
Sherwood International Admiral IMS Alba Acal Lynx Holdings Telemetrix Informa Tempus Group Diploma Arm Holdings GWR Burr-Brown (United States) Scottish Radio Dorling Kindersley Applied Holographics Cordiant Communication Star Publications (Malaysia) Avenir (Norway) Linx Printing Technologies	Insurance software Software and computer consultancy Telephone information services Consumer electronics Electronic products distribution Computer systems etc. ISDN equipment and ASICS Conference/training/magazines Media buying Electronic components & others Designs RISC microprocessors Commercial radio operator Analogue semiconductors Radio operator Publisher Holograms Advertising Newspaper publisher Computer software services Printer manufacturer	10,588 6,423 6,085 5,462 5,197 5,022 4,441 4,382 4,286 4,246 3,645 3,521 3,311 3,198 3,120 3,113 2,984 2,810 2,722 2,722 87,278	4.87 2.95 2.80 2.51 2.39 2.31 2.04 2.01 1.97 1.95 1.68 1.62 1.52 1.47 1.43 1.43 1.37 1.29 1.25 1.25 40.11

GEOGRAPHIC SPREAD OF INVESTMENTS

31 December 1998





DIRECTORS, MANAGER AND ADVISERS

DIRECTORS

Martin Boase (Chairman) Timothy George Abell Justin Paul Dukes Colin Michael McCarthy Clive Anthony Parritt

SECRETARY

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REGISTERED OFFICE

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INVESTMENT MANAGER

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Web-site: www.heralduk.com
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COMPANY NUMBER

2879728 (England and Wales)

SOLICITORS

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AUDITORS

Ernst & Young Ten George Street Edinburgh EH2 2DZ

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STOCKBROKERS

Warburg Dillon Read 1 Finsbury Avenue London EC2M 2PP

REGISTRARS

Northern Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA Tel: 01484 606 664 Fax: 01484 608 764

A MEMBER OF THE ASSOCIATION OF INVESTMENT TRUST COMPANIES

Year 2000 Compliance

The business systems of our Manager, Herald Investment Management Limited and our Secretary, Stewart Ivory, have all been tested and have been shown to be Year 2000 compliant. Statements of compliance have also been obtained from all manufacturers of their systems. A continuity plan has been put in place to maintain compliance through into 2000. All new software and hardware will be tested for compliance before introduction into the business systems. In addition, contingency plans have been prepared for each system should it not function in January 2000 despite the rigorous testing that has been completed. There will be no direct cost to the Trust associated with Year 2000 compliance.

Pillans & Wilson Greenaway, Edinburgh, 14075