HIMALAYAN FUND NV

Investing in India since 1990

Annual Report 2006

Contents

Himalayan Fund N.V.

investment company with variable capital

Registered office:	De Ruyterkade 6 1013 AA Amsterdam The Netherlands
Board of Directors:	Ian McEvatt, Chairman Dwight Makins Robert Meijer * Joe Tabbers *
Administrator and Registrar:	Fastnet Netherlands N.V. De Ruyterkade 6 1013 AA Amsterdam The Netherlands
Investment Advisor:	Iceman Capital Advisors Ltd. PO Box 218 45 La Motte Street St. Helier Jersey JE4 8SD Channel Islands
Custodian:	Citibank 77 Ramnord House Dr. Annie Besant Road, Mumbai - 400 01S India
Bank:	Fortis Bank (Nederland) N.V. Rokin 55 1012 AA Amsterdam The Netherlands
Auditor:	KPMG Accountants N.V. Burg. Rijnderslaan 10-20 1185 MC Amstelveen The Netherlands
For information or prospectus:	*Website: http://himalayan.fast-net.nl* *Email: nl-himalayan@eu.fastnetgroup.com* *Phone: +31 (0) 20 530 8300*

* Dutch resident

Five years Himalayan Fund N.V.

	2006	2005	2004	2003	2002
Net Asset Value (USD x 1,000)					
Net Asset Value according to statement of assets and liabilities	**22,315**	23,578	17,148	16,422	17,448
Less: value priority shares	**1**	53	61	57	47
	22,314	23,525	17,087	16,365	17,401

	2006	2005	2004	2003	2002
Profit and loss (USD x 1,000)					
Income from investments	**413**	304	484	1,032	953
Capital gains/losses	**9,264**	5,479	4,328	6,410	-841
Expenses	**-943**	-642	-712	-716	-900
Total investment result	**8,734**	5,141	4,100	6,726	-788
Number of ordinary shares outstanding	**588,746**	892,419	870,551	1,060,506	1,935,121
Per ordinary share					
Net Asset Value share (USD)	**37.90**	26.36	19.63	15.43	9.02
Amsterdam Stock Exchange quotation (USD)	**37.00**	32.01	17.81	16.99	7.20
Dividend (EUR)	**-**	-	-	0.10	-
Income from investments (USD)	**0.70**	0.34	0.56	0.97	0.49
Capital gains/losses (USD)	**15.74**	6.14	4.97	6.05	-0.43
Expenses (USD)	**-1.60**	-0.72	-0.82	-0.68	-0.47
Total investment result (USD)	**14.84**	5.76	4.71	6.34	-0.41

Profile

General
Himalayan Fund N.V. ('the Company') is an open-end investment fund with variable capital incorporated under Dutch law and has its registered office in Amsterdam.

Structure and Objective
The principal objective of the Company is long term capital appreciation for shareholders. Currently the majority of the funds are invested in India, directly utilising the benefits of the tax treaty between India and the Netherlands to maximise the ultimate return to investors and, indirectly, through Global Depositary Receipts and Equity Linked Notes of Indian companies which are issued by banks and traded outside India. The remaining funds are invested in Sri Lanka. Any balance can be invested in Bangladesh, Nepal and Bhutan if opportunities arise.

The Company invested substantially in India for a long time through a domestic mutual fund (the Mutual Fund) in which it was the sole investor. Since the Company now has FII (Foreign Institutional Investor) status, the benefit of continuing this practice is negligible. Accordingly, the Directors decided to reduce investment in the Mutual Fund to a minimum. Because of this, the Mutual Fund is no longer consolidated with the Company; the value is now recorded under "Investments".

Open-ended status
Ordinary shares may be (re)purchased on monthly dealing days (a day on which ordinary shares can be purchased and/or repurchased, being the last Friday of each month, provided that such day is a business day) via Euroclear Netherlands. Ordinary shares repurchased by the Company will be held in treasury and resold on subsequent dealing days, in priority to the issue of new shares. For details about purchase or repurchase ordinary shares, please visit the company's website.

Investment advisor
The Investment Advisor, Iceman Capital Advisors Ltd. (Iceman) was appointed under an investment advisory agreement dated June 7, 2006. Iceman is regulated by the Jersey Financial Servises Commission under the Collective Investment Funds (Jersey) Law 1998 and is authorised to act as Investment Advisor to the Fund. The Jersey Financial Services Commission is protected by this law against liability arising from the discharge of its functions under the Law.

Administrator
Fastnet Netherlands N.V. (Fastnet NL) established in Amsterdam, is appointed by the management of the Company as the Administrator of Himalayan Fund. Fastnet NL forms an integral part of an international network of fund administration offices, operating under the flag of Fastnet. Separately from the administrator tasks, Fastnet NL also provides domicile services for the Company.

Corporate Governance
The appointment and remuneration of directors and audit matters are dealt with by the full Board rather than being delegated to Committees of the Board.

Taxation
In order to qualify as a fiscal investment institution, the Company is obliged to distribute all of its fiscal income and will subsequently be subject to nil rate of Dutch corporate income tax on its profits. For tax purposes, income is calculated in Euro.

Notification of this recognition was received from the Ministry of Finance on 8 January 1992. Dividends and interest receivable from the Mutual Fund are not subject to withholding tax.
Withholding taxes are levied on dividends received from Sri Lanka and Bangladesh; these withholding taxes are taken as expense in the profit and loss account. No capital gains taxes are due in Sri Lanka. In Bangladesh, the Company claims exemption from capital gains tax due to its tax exempt status in the Netherlands.

Chairman's Statement

In 2006, your Fund once again registered an excellent return and upheld its long and distinguished record through a period of transformation. The Fund returned 43.8% in the year, compared with 39.8% for its benchmark, the S&P CNX Nifty Index. The market was sustained by progressively stronger GDP growth driving earnings growth to new heights. This has ignited a new cycle of corporate investment and provided record contributions of profits tax to government revenue, which in turn is funding government investment. This background promises to sustain GDP growth in the 8-9% range for the foreseeable future, underwriting corporate earnings prospects as well as the outlook for returns on investment in Indian stocks.

In last year's report, I previewed a series of changes we proposed, which your board believed were necessary to reinvigorate the Fund's business prospects. As we might have predicted, these have taken longer to put into effect but at the start of a new year we can now see that the final steps will soon be completed with the filing of a new Prospetus. It has been a long and time-consuming process and I would like to record our thanks to those who have helped see it through: our legal advisers, auditors, the team at Fastnet Netherlands, our custodian in India and, not least, the outgoing management company. Finally, we also owe thanks to the regulators and, above all you, the shareholders, who approved the changes at our annual meeting.

Let me briefly recap the extent of the changes:

- In February 2006, along with all comparable Dutch investment companies, the Fund applied for a new license under the latest governing statutes
- By vote of shareholders at the annual meeting on June 7[tn] last, the Fund adopted new Articles of Association conforming to the latest standards of Dutch law and regulation
- As part of the same process, the Fund changed its name to Himalayan Fund NV and this has been registered with all the appropriate agencies
- Also by vote of shareholders at the annual meeting, Iceman Capital Advisors Ltd. was appointed Investment Advisor to the Fund.

In compliance with the latest statutes, we launched a dedicated website for the Fund at: http://himalayan.fast-net.nl as the official information medium and repository of statutory documentation. Through the website, in addition to providing access to statutory documentation, we now publish the weekly NAV as well as a weekly market commentary and a formal monthly portfolio review. There is also a tab providing information on the subscription and redemption procedure. We also post magazine articles and other published material relevant to the Fund. I recommend the website to any shareholder with an interest in keeping up to date with the Fund and the markets in India.

The new license application procedure takes a long time to complete and we only received confirmation of our new license two weeks after year-end. This caused a long delay in producing our new Prospectus and has restricted our ability to promote the Fund. The Prospectus procedure under the new licensing regime is much more efficient, however and we expect to file a new document in a very short time.

The new Prospectus will contain all of the statutory information and disclosures required under current legislation. This includes up to date background information on India and its markets as well as a clear formal statement of investment policies, which remain unchanged. The Investment Advisor has also provided a transparent statement of investment strategy and the approach to be used in generating investment recommendations for the Fund.

Looking forward, your board believes that the Fund now has an excellent platform of structure and performance from which to launch a new promotional effort. This will emphasise a number of distinctive benefits:

- the unique identity of Himalayan Fund NV
- the historic reputation and sixteen year track record
- excellent returns from dedicated resources with a presence in India
- an efficient process for subscribing and redeeming shares
- additional liquidity through the stock exchange listings
- high quality communication through the Fund website

We believe that the prospects for investment in India remain excellent and that a long-term commitment to its markets will be richly rewarded. We look forward to welcoming new investors who share our view.

Ian McEvatt
Chairman

Directors' Report

On December 31st, 2006, the Total Net Assets of Himalayan Fund NV amounted to $22.3 millions. The Net Asset Value per share was $37.90, an increase of 43.8% over the previous year-end. Over the same period, the benchmark index, the S&P CNX Nifty Index, showed a return of 39.8%, so your fund outperformed its benchmark by 4.0%. Performance in the first half-year was weak but in the second half year the benchmark out-performance was as much as 9%. By year-end, the Fund was out-performing its benchmark over one, three, six, twelve and thirty-six months.

2006 was a year of important changes for the Fund, including the appointment of a new Investment Advisor. In the course of these changes, a new investment approach was defined, within the existing policies and restrictions. A team dedicated to investment in India took over, with physical resources in India to support research and provide market intelligence. This brought greater focus to the portfolio, with the number of holdings cut sharply, so that each one would be capable of making a material contribution to performance. The result was that, in a rising market driven by a short list of highly visible stocks, improved stock-picking contributed significantly to returns. At the end of the year, 95% of the Fund was invested in India, with 5% in Sri Lanka. There were 29 holdings in the portfolio; 61% of the value was concentrated in the top ten holdings and component stocks of the benchmark index made up 81% of the portfolio.

The Indian economy has continued its record of uninterrupted GDP growth, with the annualised rate reaching 9%. This has given the government confidence to target 10% for its next five year growth plan. Growth has been driven by consumer demand powered by emerging urban affluence and public sector investment in infrastructure development. In 2006, another powerful growth driver emerged in the form of corporate capital investment, something which had been dormant for several years. After several quarters of exceptional earnings growth, the private sector has the confidence to commit to more than $200 billions of new capital expenditures over the next few years.

Private sector earnings have had another beneficial effect. The profits tax payable on the accelerating corporate earnings are boosting government revenues by more than 40% year on year. This has brought revisions to previously bearish forecasts for the federal fiscal deficit. It has also provided a welcome alternative source of funds for public sector investment when the prospect of proceeds arising from privatizations has been diminished by political obstacles.

Inflation has reared its ugly head with producer price indices rising at more than 6% per annum by year-end. In fact, consumer prices may be inflating at anything up to 8%. The Reserve Bank of India (RBI) has demonstrated a willingness to take decisive action against inflation and has been given greater independence in doing so by the government. Interest rates have been increased, as have bank liquid reserves. This is having some effect, as property price inflation, an area of particular concern, has moderated recently.

The pace of GDP growth has broad support, with the benefits trickling down across the economy. The power of domestic demand distinguishes India amongst developing economies. The three strong drivers, consumer demand, corporate capital expenditure and public sector investment provide a platform for earnings growth which is insulated from external shocks. In addition to urbanization, the rural sector benefits through India’s right to private property, whereby farmers enjoy directly the benefit of selling their land for development. The government investment in agriculture is directed at promoting efficiency and is supported by credit availability through the competitive banking sector.

In this context, your directors continue to have confidence in the prospects for investment in India. The acceleration of foreign investment flows provides evidence of global support for this proposition.

The Fund manages risk in accordance with the Notes on page 14 and monitors this during monthly management meetings. Regulatory and Statutory compliance is monitored through reports produced by the Administrator for regular Board Meetings.

In 2006, the number of shares in issue declined from 892,419 to 588,746. The primary explanation for this was the availability of arbitrage profits between the share price on Euronext Amsterdam and the dealing price available on redemptions at NAV. We believe that this arbitrage worked against the shareholders who sold their shares more or less every time and that these shareholders would have done better by redeeming their shares directly with the fund..
The Fund had net redemption almost every month, which had to be financed by selling investments, which can be unfavourable. It is comforting to note that since year-end, the arbitrage has reversed, generating net subscriptions in January.

Amsterdam,

Board of Directors
Ian McEvatt, Chairman
Dwight Makins
Robert Meijer
Joe Tabbers

Financial statements
Himalayan Fund N.V.

Statement of assets and liabilities

(before profit appropriation)

	2006 USD	2005 USD
Investments		
Securities	**22,348,428**	18,383,916
Short term receivables		
Receivables from subscription	**-**	1,355,695
Other debtors, prepayments and accrued income	**62,245**	31,761
	62,245	1,387,456
Other assets		
Cash at banks	**2,072,365**	3,947,993
Current liabilities (due within one year)		
Payable on redemptions	**1,876,772**	-
Other liabilities, accruals and deferred income	**291,067**	141,149
	2,167,839	141,149
Total of receivables and other assets less current liabilities	**-33,229**	5,194,300
Total assets less current liabilities	**22,315,199**	23,578,216
Shareholders' equity		
Issued capital	**8,422**	63,610
Share premium	**32,125,707**	42,068,114
Legal reserve	**498**	446
General reserve	**-18,553,954**	-23,695,466
Undistributed result current year	**8,734,526**	5,141,512
	22,315,199	23,578,216
Net Asset Value per share	**37.90**	26.36

Statement of operations

	01-01-2006 31-12-2006 USD	01-01-2005 31-12-2005 USD
Income from investments		
Dividends	**308,163**	214,833
Interest income	**18,177**	22,512
Other income	**87,052**	66,951
	413,392	304,296
Capital gains/losses		
Unrealised price gains/losses on investments	**3,516,738**	2,584,287
Unrealised currency gains/losses on investments	**322,944**	-428,816
Realised price gains/losses on investments	**5,635,900**	3,367,620
Realised currency gains/losses on investments	**-223,782**	6,835
Other exchange differences	**11,925**	-51,034
	9,263,725	5,478,892
Expenses		
Investment management fees	**339,579**	239,478
Other expenses	**603,012**	402,198
	942,591	641,676
Total investment result	**8,734,526**	5,141,512
Total investment result per ordinary share	**14.84**	5.76

Statement of Cash Flows

	01-01-2006 31-12-2006 USD	01-01-2005 31-12-2005 USD
Cash flow from investing activities		
Income from investments	**413,392**	304,296
Expenses	**-942,591**	-641,676
Result of operations	**-529,199**	-337,380
Purchases	**-6,428,709**	-5,011,097
Sales	**11,715,997**	8,249,435
	5,287,288	3,238,338
Change in short term receivables	**1,325,211**	-1,040,884
Change in current liabilities	**2,026,690**	23,662
	3,351,901	-1,017,222
Cash flow from investment activities	**8,109,990**	1,883,736
Cash flow from financing activities		
Received on shares issued	**504,327**	4,078,350
Paid on shares repurchased	**-10,501,870**	-2,789,361
Dividend distribution	**-**	-
Cash flow from financing activities	**-9,997,543**	1,288,989
Other exchange differences	**11,925**	-51,034
Change in cash and cash equivalents	**-1,875,628**	3,121,691
Cash and cash equivalents as at 1 January	**3,947,993**	826,302
Cash and cash equivalents as at 31 December	**2,072,365**	3,947,993

Notes

General
Himalayan Fund N.V. ('the Company') is an investment fund with variable capital, incorporated under Dutch law and has its registered office in Amsterdam.

The format of these financial statements is in conformity with legal financial reporting requirements and the Guiding Principles for Investment Institutions of the Council for Reporting. The financial year is concurrent with the calendar year.

Principles of valuation

Investments

The investments are valued based on the following principles:

- listed Securities are valued at the most recent stockmarket price as at the end of the accounting period which can be considered fair value;
- equity linked notes are valued at the most recent stockmarket price of the underlying equity;
- non or low marketable securities are, according to the judgement of the Investment Advisor valued at the best effort estimated price, taking into account the standards, which the asset manager thinks fit for the valuation of such investments.

Expenses related to the purchase of investments are included in the cost of investments.
Sales charges, if any, are deducted from gross proceeds and will be expressed in the capital gains/-losses.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into dollars at the rate of exchange as at the balance sheet date. All exchange differences are taken to the income statement. Income and expenses in foreign currencies are translated at the exchange rate as per transaction date.

Rates of exchange as at 31 December 2006, equivalent of 1 US dollar:			
Euro	0.75835	Srilanka Rupee	107.45001
Indian Rupee	44.26000	Bangladesh Taka	69.08501

Other assets and liabilities

Other assets and liabilities are stated at nominal value. If required, provisions have been taken for irrecoverable receivables.

Share Capital

On 15 June 2001 the issued share capital of NLG 458,940 was converted into EUR 208,258 consisting of 16,325,798 ordinary shares with a nominal value of EUR 0,01 each, and 100,000 priority shares with a nominal value of eur 0,45 each.
On 7 June 2006, all outstanding priority shares (100,000) where repurchased. On the same day the priority shares where renominated to a value of EUR 0,01 each. Also on the same day, 49.995 priority shares where sold again.
The remaining priority shares were withdrawn.

Income recognition principles
The result is determined by deducting expenses from the proceeds of dividend, interest and other income in the period under review. The realized revaluations of investments are determined by deducting the purchase price or the balance sheet value at the start of the period under review from the sale proceeds.
The unrealized revaluations of investments are determined by deducting the purchase price or the balance sheet value at the start of the period under review from the balance sheet value at the end of the period under review.
Brokerage fees payable on the acquisition on investments, if any, are considered to be part of the investments costs, and as a result, are not taken to the profit and loss account.

Risk Management
Financial Instruments
The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk and foreign currency risk arising from the financial instruments it holds. The Company may use derivatives and other instruments in connection with its risk management activities.

The Company has investment guidelines that set out its overall business. Daily reviews are undertaken to ensure that the Company's guidelines are adhered to.

Market price risk
The Company's investments are susceptible to market price risk arising from market fluctuations due to uncertainties about market prospects. The positions held by the Company at the report date are disclosed under 'Investment portfolio'.

Interest rate risk
The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. This risk for contracts regarding financial instruments (including Equity Linked Notes and Depository Receipts) is limited. It is the Company's policy to enter into such contracts with several different counterparties and to assign a great importance to the parties' credit-worthiness in the selection process. For further details on the credit risk we refer to the 'Investment portfolio'.

Liquidity risk
The Company's investments are considered to be readily realisable or actively traded in the OTC market. The exposure to liquidity risk is mainly related to the Company's investments in unlisted securities.

Foreign currency risk
The Company invests in securities and other investments that are denominated in currencies other than the currency in which the Company's shares are denominated. The Company can use forward currency transactions and interest rate swaps to cover risks related to currency fluctuations. A significant portion of the Company's investments in securities is not denominated in US Dollar but in other currencies. Accordingly, the value of the Company's assets may be affected considerably, favourable as well as unfavourable, by fluctuations in currency rates.

Cash flow statement
The Cash Flow statement has been prepared according to the indirect method.

Notes to the statement of assets and liabilities

Investments	2006 USD	2005 USD
Statement of changes in securities		
Position as at 1 January	**18,383,916**	16,092,328
Purchases	**6,428,709**	5,011,097
Sales	**-11,715,997**	-8,249,435
Unrealised price gains/losses on investments	**3,516,738**	2,584,287
Unrealised currency gains/losses on investments	**322,944**	-428,816
Realised price gains/losses on investments	**5,635,900**	3,367,620
Realised currency gains/losses on investments	**-223,782**	6,835
Position as at 31 December	**22,348,428**	18,383,916
Historical cost	**10,364,883**	10,240,053

The majority of the Indian investments and all those in Sri Lanka are now held directly by the Company. The total investments in unlisted shares and unlisted debentures held by the Mutual Fund amounted to USD 0 (31 December 2005: USD 0) and unlisted investments directly held by the Company to USD 2,568,781 (31 December 2005: USD 2,016,209). The Total value of the Canbank mutual fund is USD 9,810 (31 December 2005: USD 647,000). The portfolio breakdown as at 31 December 2006 are specified on pages 20 to 22 of this report.

Transaction costs

Transaction costs in total in 2006 are: USD 72,767, in 2005 52,233 USD.

Short term receivables

Receivables from subscriptions

This includes the receivables from unsettled share subscriptions as per balance sheet.

Other debtors, prepayments and accrued income	2006 USD	2005 USD
Dividend receivable	**48,135**	19,140
Prepayments and other debtors	**14,110**	12,621
	62,245	31,761

Cash at banks

This includes demand deposits at banks.

Current liabilities (due within one year)

Payable on redemptions

This includes the payables from unsettled share redemptions as per balance sheet.

Other liabilities, accruals and deferred income	2006 USD	2005 USD
Payable investment management fee	**89,377**	63,969
Payable administration fee	**49,037**	14,622
Payable auditors fee	**77,141**	44,215
Other expenses payable	**75,512**	18,343
	291,067	141,149

Shareholders' equity

The authorised share capital of the Company is EUR 60,000 (31 December2005: EUR 445,000) and consists of:

-	Ordinary shares of EUR 0.01 each	5,950,005
-	Priority shares of EUR 0.01 each	49,995

		2006	2005
Issued capital	**number**	**USD**	USD
Ordinary shares:			
Position as at 1 January	892,419	**10,530**	11,832
Issued	17,230	**172**	1,610
Repurchased	-320,903	**-3,209**	-1,391
Revaluation		**270**	-1,521
Position as at 31 December	588,746	**7,763**	10,530
Priority shares:			
Position as at 1 January	100,000	**53,080**	61,166
Issued	49,995	**500**	
Repurchased	-100,000	**-45,000**	
Revaluation		**-7,921**	-8,086
Position as at 31 December	49,995	**659**	53,080
Total issued capital		**8,422**	63,610

As at 31 December 2006 the subscribed share capital amounts to:		**EUR**	EUR
Ordinary shares, par value EUR 0.01 (31 December 2005: EUR 0.01)	4,450,005	**44,500**	163,258
Priority shares, par value EUR 0.01 (31 December 2005: EUR 0.45)	49,995	**500**	45,000
		45,000	208,258

The Company became open-ended at 7 April 2000. As at 31 December 2006 a total of 3,861,259 ordinary shares were repurchased, meaning that 588,746 ordinary shares are still outstanding as at 31 December 2006. Repurchased ordinary shares by the Company are directly charged against capital and share premium.

Share premium	**USD**	USD
Position as at 1 January	**42,068,114**	40,769,669
Received on shares issued	**503,655**	4,076,740
Paid on shares repurchased	**-10,453,661**	-2,787,970
Revaluation of outstanding capital	**7,101**	9,607
Revaluation of legal reserve	**498**	68
Position as at 31 December	**32,125,707**	42,068,114

	2006	2005
	USD	USD
General reserve		
Position as at 1 January	**-23,695,466**	-27,796,375
Transferred from undistributed result	**5,141,512**	4,100,909
Position as at 31 December	**-18,553,954**	-23,695,466
Undistributed result		
Position as at 1 January	**5,141,512**	4,100,909
Dividend distribution	**-**	-
Transferred to/from general reserve	**-5,141,512**	-4,100,909
Total investment result	**8,734,526**	5,141,512
Position as at 31 December	**8,734,526**	5,141,512

Three years Himalayan Fund N.V.

	2006	2005	2004
Net Asset Value (USD x 1,000)			
Net Asset Value according to statement of assets and liabilities	**22,315**	23,578	17,148
Less: value priority shares	**1**	53	61
	22,314	23,525	17,087
Number of ordinary shares outstanding	**588,746**	892,419	870,551
Per ordinary share			
Net Asset Value share (USD)	**37.90**	26.36	19.63

Notes to the statement of operations

Income from investments

Dividends

This refers to net cash dividends including refundable withholding tax. Stock dividends are considered to be cost free shares. Therefore stockdividends are not presented as income.

Interest income

Most of this amount was received on outstanding cash balances.

Other income

This refers to the upcount of 0.5% received on shares issued and discount of 1.0% calculated on shares repurchased. These costs are to cover transaction costs in relation with the subscriptions/redemptions and are booked as an income for the Company. Additionally the amount recovered from the provisioned receivable on the investment of Peregrine is presented under this item.

	01-01-2006	01-01-2005
Expenses	**31-12-2006**	31-12-2005
Investment management fees	**USD**	USD
Management fee	**312,865**	214,268
Other investment management fees	**26,714**	25,210
	339,579	239,478

Expenses directly related to the management of investments, like custody fees and transfer charges as well as other paying agent fees are deducted from the result. These expenses are included in other investment management fees with the exception of the transfer charges. Transfer charges are accounted for in the investment revaluation reserve. The increase in amount is due to a higher average net asset value and the reduction in the Canbank Mutial Fund where part of the fee was taken.

Other expenses		
Administration fee	**157,251**	142,869
Domicile fee	**29,750**	35,700
Commission and bank expenses	**4,621**	4,148
Marketing, advisory and advertising fees	**134,048**	36,505
Register fees Chamber of Commerce and the Authority for the Financial Markets	**37,564**	54,873
Auditor and fiscal advisor fees	**159,941**	87,587
Directors' fee (including liability insurance fee)	**65,105**	27,552
Miscellaneous	**14,732**	12,964
	603,012	402,198

The increase in costs for Marketing, advisory, advertising, auditor, fiscal advisor and Directors' are caused by the currently ongoing restructering of the Fund. We expect this restructuring to be finalised in 2007.

Share trades through related parties

Until June 7, Crédit Agricole Asset Management was the Investment Manager of the Company and all stock transactions were made in cooperation with Crédit Agricole Asset Management and were placed on the stock market.
As from 7 June 2006 Credit Agricole Asset Management resigned as Investment Manager. As from this date the Board of Directors makes the investment decisions, based on the advice from the newly appointed Investment Advisor Iceman Capital Advisors. Transactions are still processed through Credit Agricole Asset Management.
The percentage of trades done trough related parties in 2006 is: 41.67% (2005: 100%).

Expense ratio

The expense ratio (cost ratio) is calculated as follows: the total expenses of the Company divided by the average Net Asset Value *.

- The total expenses include the expenses that are deducted from the result as well as from the shareholders' equity in the period under review.

The expense ratio of the Company for the reporting period is equal to: 4.18 % (31 December 2005: 3.52%).

Turnover ratio

The turnover ratio is calculated as follows: the total sum of the sum of the cost prices of the stocks plus the sum of the sale prices of stocks minus the sum of the subscriptions plus the sum of the redemptions. This total sum is divided by the average Net Asset Value *.
The turnover ratio of the Company for the reporting period is equal to: 31.64 % (31 December 2005: 35.03 %).

* - The average Net Asset Value of the Company for reporting period is calculated as the sum of the Net Asset Value as per 31 December 2005, 31 March 2006, 30 June 2006, 30 September 2006 and 31 December 2006 in the proportion 0.5 : 1: 1: 1 : 0.5, divided by the weighted number of observations.

Comparison of real cost with cost according to prospectus

	Real costs	According to prospectus	Difference
Management fee (1)	312,865	338,902	-26,037
Administration fee (2)	187,001	187,001	-
Directors fee (3)	65,105	100,000	-34,895

1) Until June 7, Crédit Agricole Asset Management received an annual fee of 1.25 per cent of the Net Asset Value of the Company, excluding the net assets of the Mutual Fund, and an annual fee of 0.6875 per cent (calculated on a weekly basis) of the Net Asset Value of the Mutual Fund. Canara Bank, the investment manager of the Canbank Mutual Fund receives an annual fee of 0.5625 per cent (calculated on a weekly basis) of the Net Asset Value of the Mutual Fund. Both fees are without any tax charge. From June 7, the Investment Advisor receives an annual fee of 1.5 per cent (calculated on a daily basis of the Net Asset Value of the Company.

2) The Company pays to Fastnet NL a monthly administration fee (excluding VAT) equal to 1/12 of 0.2% of the average Net Asset Value with a minimal fee of EUR 100,000 per year. The Company also pays to Fastnet NL a fixed monthly domicile fee (exclusive VAT) equal to EUR 25,000 per year. The average Net Asset Value of the Company is calculated as the sum of the total Net Asset Values at the beginning of the month and at the end of the month, divided by 2.

3) According to the prospectus the Directors fee will not exceed US$100,000. The actual Directors cost where 34.895 less than in prospectus.

Employees

The Company has no employees.

Amsterdam, 7 March 2007

Board of Directors
Ian McEvatt, Chairman
Dwight Makins
Robert Meijer
Joe Tabbers

Portfolio breakdown

As per 31 December 2006

India		Market value USD	percentage of total Net Asset Value
Automotive			
25,200	Bharat Forge	206,650	
15,500	Tata Motors	315,393	
		522,043	2.34%
Capital goods			
30,000	Bharat Heavy Electricals	1,558,529	
14,400	Larsen & Toubro	470,424	
		2,028,953	9.09%
Consumer goods			
200,000	INT'L tobacco	795,752	
		795,752	3.57%
Financials			
26,000	HDFC Bank	627,354	
40,000	Housing Development Financing Corporation	1,470,312	
38,500	ICICI Bank *	774,620	
30,500	ICICI Bank	614,341	
10	Canbank mutual fund	9,810	
		3,496,437	15.67%
Materials			
10,500	Grasim Industries	664,589	
252,000	Gujarat Ambuja Cements	803,086	
		1,467,675	6.58%
Metals			
7,000	Jindal Steel & Power	359,632	
25,000	Sesa Goa	796,995	
36,300	Tata Iron & Steel	395,519	
		1,552,146	6.96%
Oil & Gas			
110,000	Gas Authority of India	649,912	
50,025	Oil & Natural Gas	984,789	
72,000	Reliance Industries	2,066,218	
		3,700,919	16.57%
Pharmaceuticals			
35,000	Sun Pharmaceuticals	776,824	
		776,824	3.48%

* Unlisted securities

Power			
65,000	CESC	466,499	
75,000	Tata power	949,785	
		1,416,284	6.35%
Technology			
31,500	Infosys Technologies	1,595,497	
7,000	Infosys Technologies *	353,710	
18,560	Tata Consultancy	512,434	
		2,461,641	11.03%
Telecommunication			
101,655	Bharti Televentures *	1,440,451	
75,000	Reliance Communications	799,226	
		2,239,677	10.04%
Other industry			
18,000	Allcargo Global Logistics	432,065	
43,000	Jain Irrigation Systems	369,134	
		801,199	3.59%
Total India		**21,259,550**	**95.27%**
Sri Lanka			
Other industry			
600,000	John Keels Holdings	1,088,878	4.88%
Total Sri Lanka		**1,088,878**	**4.88%**
Total Investments		22,348,428	100.15%
Other net assets		(33,229)	-0.15%
Total Net Asset Value		**22,315,199**	**100.00%**

* Unlisted securities

Supplementary information

Personal interest

At the end of, or during the reporting period, non of the members of the Board of Directors had any interests in securities also being a part of the investments of the Fund.

Special controlling rights

Special rights are assigned to holders of priority shares. The most important rights are:
- to submit a binding nomination for the appointment of the Directors
- to give their approval in advance of amendments in the Articles of Association, legal merger, legal split and dissolving the Fund.

The priority shares are held in the name of Iceman Capital Advisors Ltd..

No transactions were concluded between Crédit Agricole Asset Management Hong Kong and the Company during the period under review. Crédit Agricole Asset Management Hong Kong ltd. received a total of USD 165,185 from Investment Fees and other cost declarations.

Priority Shares

At 31st December, 2005, 100,000 Priority Shares of EUR 0.45 each were held by Crédit Agricole Asset Management Hong Kong Ltd., indirectly a subsidiary of Crédit Agricole S.A. and carry a priority right to an annual dividend of up to six per cent of the nominal value of such share. Priority Shares also carry voting rights with respect to Ordinary Shares in a ratio of 45 to1.

On 7 June 2006, all outstanding priority shares (100,000) where repurchased. On the same day the Priority Shares were re-denominated to a value of 0.01EUR each. Also on the same day, 49,995 Priority Shares where sold.

At 31 December, 2006 49.995 Priority Shares of Eur 0.01 each were held by Iceman Capital Advisors Ltd.

The directors of Iceman Capital Advisors Ltd. are Mr. I. McEvatt, Mr P.J. Nicolle, Mr. M.T. Cordwell, Mr. J.W. Owen, Mr. E.H. Jostrom, MR. T. Miquillet.

The directors of the Company and the directors of Iceman Capital Advisors Ltd. declare that to the best of their knowledge and belief Appendix X, paragraph C, article 10 of the listing Rules of Euronext Amsterdam NV is complied with.

Auditor's Report

Report on the financial statements

We have audited the accompanying financial statements as set out on pages 12 to 19 of Himalayan Fund N.V., Amsterdam, which comprise the balance sheet as at December 31, 2006, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the director’s report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Himalayan Fund N.V. as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Act on the Supervision of Investment Institutions.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the director’s report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code and the Act on the Supervision of Investment Institutions.

Amstelveen, 7 March 2007

KPMG ACCOUNTANTS N.V.
J.G.J.F. Oudejans RA