HIMALAYAN FUND NV

Investing in India since 1990

Annual Report 2008

Contents

Himalayan Fund N.V.

investment company with variable capital

Registered office:	De Ruyterkade 6-i 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-i 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 - 400 018 India
Listing Agent / Bank:	Fortis Bank (Nederland) N.V.
Auditor:	Deloitte Accountants B.V. Orlyplein 10 1040 HC Amsterdam
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.

	31-12-2008	31-12-2007	31-12-2006	31-12-2005	31-12-2004
Net Asset Value (USD x 1,000)					
Net Asset Value according to statement of assets and liabilities	**12,922**	38,376	22,315	23,578	17,148
Less: value priority shares	**1**	1	1	53	61
	12,921	38,375	22,314	23,525	17,087

	2008	2007	2006	2005	2004
Profit and loss (USD x 1,000)					
Income from investments	**244**	307	413	304	484
Capital gains/losses	**-23,478**	18,154	9,264	5,479	4,328
Expenses	**-835**	-897	-943	-642	-712
Total investment result	**-24,069**	17,564	8,734	5,141	4,100
Number of ordinary shares outstanding	**502,049**	544,145	588,746	892,419	870,551
Per ordinary share					
Net Asset Value share (USD)	**25.74**	70.52	37.90	26.36	19.63
Transaction price Euronext Amsterdam December 31 (USD)	**24.69**	69.35	37.00	32.01	17.81
Dividend (EUR)	**-**	-	-	-	-
Income from investments (USD)	**0.49**	0.56	0.70	0.34	0.56
Capital gains/losses (USD)	**-46.75**	33.37	15.74	6.14	4.97
Expenses (USD)	**-1.66**	-1.65	-1.60	-0.72	-0.82
Total investment result (USD)	**-47.92**	32.28	14.84	5.76	4.71

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. The Company is listed both on Euronext Amsterdam and on the London Stock Exchange.

Structure and Objective

The principal objective of the Company is long term capital appreciation for shareholders. Currently all of the the funds investments are invested in India, directly utilising the benefits of the tax treaty between India and the Netherlands to maximise the ultimate return to investors.
Any balance can be invested in Sri Lanka, Bangladesh, Nepal and Bhutan if opportunities arise.

Open-ended status

Ordinary shares may be (re)purchased on Fridays (provided that such day is a business day) via Euronext Amsterdam. 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 of 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 Services Commission under the Financial Services (Jersey) Law 1998 and is authorised to act as Investment Advisor to the Fund.

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. The Company has not actively used rights to vote in Meetings of Shareholders.

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 0% 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.
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 Report

Dear Shareholders,

I take no pleasure whatever in having to report that the net asset value per share of your Fund fell from near an all-time peak at the end of 2007, to end 2008 at $25.74: a decline of 63.5%. Over the same period, the S&P CNX Nifty Index declined by 60.9% in US dollar terms, so the Fund underperformed its performance benchmark for the year by 2.6%. In a global market context of sharp commodity price inflation, credit market crisis, the collapse of investment banking, a commodity price collapse and the near-collapse of the entire financial system, equity markets returned losses on an historical scale. As a domestic-demand-driven economy, with a banking sector protected by regulation from the capital destruction witnessed in western financial markets, India is widely expected to be less affected by the global recession and to recover quicker. Nonetheless, its stock-markets have suffered a substantial reversal of the foreign inflows of the previous year, as global risk aversion drove waves of selling to maximise portfolio liquidity.

Your fund, as a long-only equity fund, now only investing in India, is obliged by statute and regulation to be near fully-invested and so has limited defensive scope. Our objective in the circumstances is to seek to invest the portfolio in high quality companies, which we believe will work through the economic difficulties and reward shareholders with excellent returns in the long-term. We have worked with the Investment Advisor through the year to achieve this objective and believe we have a portfolio which will deliver excellent returns in due course. To our regret, however, the market does not always agree and one of our major exposures, to the Oil & Gas sector, suffered relative to the market, contributing to the underperformance for the year. We remain convinced that this sector is going to have a transformational effect on India's macroeconomics as well as on the companies involved and so intend to maintain this commitment.

Last year, I highlighted the fact that Indian markets are liquid and well-regulated even though access by foreigners remains restricted. As 2008 progressed, this became a distinct disadvantage. During the previous year, the investment banking community developed a panoply of derivative products by which foreign investors could invest in India without meeting registration requirements. Many holders of these investments were hedge funds, specifically excluded from investing in India by the prevailing regulations. As the credit crisis unfolded and hedge funds ran into performance issues and the progressive withdrawal of credit, they faced waves of redemption requests from investors. To fund these, they had to generate liquidity where they could and India's sophisticated markets suffered. Because of the limited range of stocks underlying the derivative products, the selling was concentrated in a short list of stocks: perhaps eighteen out of the fifty stocks in the Nifty index. In many cases, liquidation of the derivatives was preceded by selling of futures contracts on the underlying stocks. The net result was that in the third and fourth quarters, the shares of some of India's finest companies were subjected to extraordinary bouts of selling pressure.

As a consequence of this, the proportion of total market capitalization of Indian listed companies in foreign hands fell from over 18% at the end of 2007, to just 15% at the end of 2008. At the same time, we observed an important characteristic of a developing capital market: the emergence of a domestic institutional investment sector. As rules are implemented governing the establishment and investment of life insurance products and pension plans, the portfolios are invested in the capital markets to generate returns. A turning point comes as governing regulations permit an increasing proportion of funds to be committed to equity markets. This became a significant feature in India in 2008. As the year progressed, the waves of selling by foreigners were increasingly absorbed by domestic institutional investors.

As far as the Indian economy is concerned, 2008 was a year of two distinct halves. Early in the year, the dominant feature was rising commodity prices fuelling an inflationary spiral, with the weekly reported rate of inflation rising to over 12%. In response to this, the Reserve Bank of India (RBI) aggressively tightened monetary policy, raising interest rates and the banks' cash reserve ratio. Then, as the oil price spiral broke and other commodity prices softened, monetary policy went into a sharp reverse, with interest rates and reserve ratios cut regularly through the second half. In spite of this, the advancing global recession did feed into India with softening urban consumer demand and private sector investment slowing the prospective GDP growth rate from over 9% to around 6%. The effectiveness of monetary easing is being restrained by fear amongst banks of rising non-performing loans in a weak economy. Thus in spite of strong capital ratios and plentiful liquidity, bank lending growth is slowing and this may slow industrial activity further as the fiscal year comes to a close.

There are three sources for optimism about the prospects for the Indian economy to recover its growth momentum. The first is the government's efforts to sustain infrastructure investment and hence investment demand The second is the emerging prospect of energy independence The third is burgeoning rural incomes driving acceleration in rural consumer demand. India's famous bureaucracy can bring delay and obstruction in the execution of major projects. We are currently in the Eleventh Economic Plan period and the previous ten have all been characterised by missed targets and project carry-overs Under pressure from global recession, there have now been three fiscal stimulus packages, accompanied by rounds of monetary easing. These policy actions are directed at sustaining high probability projects, ensuring funding for priority projects and accelerating state and local government expenditure. Power generation projects of over 75,000 megawatts are scheduled for completion by 2012, though execution of more than 60,000 MW would be impressive. Meanwhile, the National Highways Authority appears to be accelerating the sanctioning of upgrade projects and renegotiating terms on a more favourable basis for contractors. Local transportation authorities are moving ahead with urban transportation projects and equipment purchases, such as buses and other vehicle fleets.
This year, two substantial oil and gas fields will be brought into commercial production. First will be natural gas from the Krishna Godaveri Basin, produced by Reliance Industries, India's largest private-sector company. Later in the year, crude oil production will be brought on-stream from the Rajasthan fields being developed by Cairn India. The combination of these two will eventually produce nearly 750,000 barels of oil equivalent a day. There are several more fields under evaluation and other producers, including ONGC, have announced promising discoveries both on and off-shore. Another major development on the energy front in 2008 was the eventual signing of the US/India Nuclear Treaty and the related agreements with Atomic Energy Agency and the Nuclear Users Group. These have paved the way for productive development of India's nuclear sector in the long-term but they also offer the prospect of immediate efficiency improvement through access to higher quality raw material.

Rural themes have been a high priority for the current government, with the objective of improving incomes through a variety of support schemes. Subsidies have been directed at improving agricultural efficiency, by promoting irrigation and fertilizer use as well as technological advances. The Bharat Nirman scheme, directed towards rural infrastructure improvement, is supported by the National Rural Employment Guarantee scheme, which assures 100 days employment for one male member of every rural household per year. From a low base, the take-up of this programme is now improving. The government also implemented a $14 billion farm debt-waiver scheme and has overseen consistent annual growth in minimum support prices for crops. With favourable monsoons assuring good harvests by Indian standards the rural population has been experiencing sustained growth in income. This is generating growth in rural consumer demand, characterised by purchases of mobile phones, two-wheelers and consumer staples. By contrast urban demand has shown signs of slowing, particularly in purchases of durable goods. The impact of the sixth government employee pay commission recommendations, with substantial salary increases for millions of public employees, including back-pay, may provide an offsetting boost. The combination of these factors should help to support the contribution of consumer demand to GDP.
These three drivers of the domestic economy should provide a firm basis for Indian growth through the next fiscal year. The recent economic stimulus packages will cause a sharp rise in the fiscal deficit, however, which is a matter for concern. The government is forecasting the central deficit to start declining in 2010 and the new domestic crude oil and natural gas production should help this, by cutting subsidy burdens, as well as adding new sources of revenue. It will also have a transforming effect on the balance of payments, stabilising growth in India's external reserves. In the meantime, we expect that the RBI will continue to impress with its regulation and management of monetary policy, which have protected the Indian Financial sector from the value destruction we have seen in developed countries.

My fellow directors share my disappointment with the investment result for 2008 and my surprise at the extent to which global economic circumstances deteriorated so quickly. We believe that India is well-placed to recover earlier and quicker because of the nature underlying demand in the economy. The benefits of sustained infrastructure investment and accelerating rural consumer demand with the additional benefit of a new era of oil & gas production herald a bright future for investment in India.

In closing, I would like to thank our shareholders for their sustained support during this most difficult time in the markets. The Fund suffered net redemptions of barely 7% during the year as the trading activities of many market participants destroyed value across the board. We believe this commitment to the Fund and the Indian market will be rewarded in due course.

Directors' Report

The Fund

The dealing price of the Fund's shares on Euronext Fund Service on the first dealing day of 2008 was $72.30 and on the last dealing day it was $24.69. This reflected a fall of 65.9% in the net asset value of the Fund. The net asset value per share at the close of business on December 31st 2008 was $25.74, which compared with $70.52 a year earlier, represented a decline in value of 63.5% in the year. The difference between the two figures is explained by the fact that in neither year was the closing day for accounting purposes a Dealing Day for the Fund's shares. The Fund's performance benchmark is the S&P CNX Nifty Index and for the period January 1, 2008 to December 31, 2008 the index declined by 60.9% in US Dollar terms. Thus the Fund under-performed its benchmark by a margin of 2.6% for the year.

At the start of 2008, there were 544,146 ordinary shares of the fund in issue. At the end of the year, this number had fallen to 502,049, a decline of 7.7%. During the year, however, the number moved in a range of 9.6%, between a peak of 555,044 at the end of May and a low of 501,926 on December 26th.

The Markets

In 2008 global financial markets operated in an economic environment with two distinct parts. In the early part, lasting through mid-July, commodity prices rose to historic highs, forcing monetary authorities to concentrate on restraining an inflationary spiral. By the time commodity prices broke, economic activity was already in retreat and the effects of sudden monetary easing were dissipated by the simultaneous need to rescue the global financial system from collapse. A loss of confidence between banks due to concerns about the exposure of their balance-sheets to toxic assets froze the interbank lending markets and hence the availability of credit. This accelerated a global economic slowdown, eventually precipitating recession in most developed economies by year-end.

Against this background, Indian stock markets suffered systematic liquidation of holdings by foreign investors through the year. As a result, 75% of the portfolio inflows of the previous year were withdrawn in 2008. The Nifty Index declined by 51.8% under the selling pressure and the withdrawal of funds by foreigners drove the Rupee down by 23% over the year, adding to the fall in value for dollar-based investors.

The Indian economy is well-placed to avoid the worst of a global economic slowdown because GDP is more than 70% driven by domestic demand. Furthermore, because of the regulatory style of the Reserve Bank of India, the Indian banking sector was insulated from the balance-sheet destruction wrought by the major global banks. As a result, India is in a position to recover GDP growth momentum quickly, driving a consequent recovery in corporate earnings growth. From the current historic low level of price to earnings ratios, there is scope for rapid stock price appreciation as earnings prospects get re-rated.

Within the Fund's portfolio, two patterns emerged during the year: first, a selection of the largest capitalisation stocks suffered sharp declines due to concentration of interest by foreign investors and second, smaller capitalisation issues underperformed. The first of these made a significant contribution to the Fund's underperformance, so an explanation is appropriate. Access by foreigners to the Indian stock markets remains restricted, with requirements for registration and compliance and provisions to exclude hedge funds. However, the registration process allows registered entities to issue derivative products providing they hold the underlying stock in custody. Through this route, investment banks have been able to issue "participatory notes" to unregistered foreign investors. The appetite of such investors was fairly concentrated, in fact in about eighteen of the fifty stocks in the Nifty index, so when foreign funds holding so-called "p-notes" exited the market, concentrated selling pressure generated highly variable performance amongst stocks within the Nifty. This appears to have affected Reliance Industries, ICICI Bank, Larsen & Toubro and Reliance Communications in the Fund's portfolio.

In strategic terms, the portfolio has held heavy weightings in Energy and Financial stocks, as well as Capital Goods and Telecom. Exposure to Technology stocks was lightened during the year as revenue prospects for the sector were damaged by the state of global financial institutions, a major client-base, as well as by the volatility of the Rupee. This year, strategy is still heavily committed to the burgeoning Energy sector where imminent production from significant new oil and gas fields promises a transformation in earnings prospects. This also holds at the macroeconomic level where the benefits for India's payments and fiscal balances are important. The Financial sector is well-positioned to finance as well as to benefit from an early recovery: we have maintained a heavy weighting but have diversified the holdings to spread the opportunity. We are also maintaining a heavy weighting in Capital Goods, where our holdings share the prospect of participating in the infrastructure development which the government is sustaining as an important driver of growth. We anticipate that accelerating rural demand, driven by improving income levels, will also contribute to an early recovery and will be adding new holdings geared to this development.

Risk Management and Administration

During the year, we amended the Prospectus to clarify the application of entry and exit charges on the Fund. These charges are intended to compensate the Fund for transaction costs arising on investing inflows or liquidating holdings to finance outflows. The Board took the view that the procedure by which these charges are applied is uneven and potentially unfair in operation. This makes it difficult for the Fund to maintain a level playing field between subscribers, redeemers and continuing investors. Furthermore, the Fund's investment approach means that inflows do not automatically give rise to transaction costs and outflows can be financed from cash balances. In these circumstances, the Board took a decision to waive the charges entirely. We have now been advised by AFM, the Dutch regulatory authority that we should re-instate the charges in question, so this was done with effect from March 6th, 2009.

The Fund is a long only equity fund and as such does not use leverage or derivatives in its portfolio. Thus the portfolio is exposed fully to the price movements in its holdings of Indian stocks. There were no significant holdings of debt instruments in the portfolio, so there is no exposure to credit risk. As a matter of policy, the Fund does not hedge currency exposure in the portfolio. In 2008, the Rupee depreciated by 22.9% against the US dollar and this contributed to the decline in portfolio value. This depreciation was substantially due to a reversal of the inflows of foreign portfolio investment in the previous year, with net sales of shares by foreign investors accumulating to over $13 billion. Rapidly deteriorating global economic conditions prompted a flight to liquidity by investors, causing waves of selling. From late summer through year-end, Indian markets withstood the consequential volatility and the emergence of a domestic institutional appetite for stocks was a significant feature. There was no occasion on which the absence of an orderly market would have prevented the Fund from liquidating a position within a reasonable time.

The Directors have reviewed the operations of the Investment Advisor during the year are satisfied that it has the substance and procedures to carry out its responsibilities in a suitable manner.

The Directors declare that the Fund has a description of its System of Adminstrative Organization and Internal Controls (the so called "AO/IC") in place and that the AO/IC complies to the sections 3:17.2c and 4:14.1 of the Dutch Act on the Financial Supervision and that this system has worked effectively during the period.

The Fund executes market trades through a panel of stockbrokers which is selected according to standards of service in trade execution, settlement, research capability and sales support. The broker list is reviewed periodically and counterparties may be added or deleted from time to time. Payment of commission rebates is not a normal practice in Indian markets and the Fund does not maintain soft-dollar arrangements, nor has it any intention of doing so.

Current market conditions are difficult as investors wait for clear signals as to the direction of the global economy and hence the prospects for stock investment. This is the case for India no less than anywhere else. The directors are convinced, nonetheless, that there are grounds for optimism about India based on the prospects for sustained real growth in the economy. A general election will be conducted between mid-April and end-May. At the time of writing, the outcome looks likely to be a government little different in orientation on economic policy and reform. We recommend shareholders to continue to hold their positions to benefit from the long-term prospects.

Amsterdam, April 29, 2009

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

Financial statements
Himalayan Fund N.V.
Annual Report 2008

Statement of assets and liabilities

(before profit appropriation)

	31-12-2008 USD	Notes	31-12-2007 USD
Investments			
Securities	**12,861,648**	4	38,002,691
Short term receivables			
Receivables from subscription	**3,037**	5.1	372,680
Other debtors, prepayments and accrued income	**24,754**	5.2	187,432
	27,791		560,112
Other assets			
Cash at banks	**154,904**	6	51,074
Current liabilities (due within one year)			
Payable on redemptions	**-**	7.1	-
Other liabilities, accruals and deferred income	**122,365**	7.2	238,315
Total current liabilities	**122,365**		238,315
Total of receivables and other assets less current liabilities	**60,330**		372,871
Total assets less current liabilities	**12,921,978**		38,375,562
Shareholders' equity			
Issued capital	**7,673**	8.1	8,686
Share premium	**29,237,910**	8.2	30,622,339
General reserve	**7,744,537**	8.3	-9,819,428
Undistributed result current year	**-24,068,142**	8.4	17,563,965
Total shareholders'equity	**12,921,978**		38,375,562
Net Asset Value per share	**25.74**		70.52

Statement of operations

	01-01-2008 31-12-2008 USD	Notes	01-01-2007 31-12-2007 USD
Income from investments			
Dividends	**242,522**	10.1	249,473
Interest income	**1,829**	10.2	6,560
Other income	**-**	10.3	50,939
	244,351		306,972
Capital gains/losses			
Unrealised price gains/losses on investments	**-21,388,288**	4	10,398,785
Unrealised currency gains/losses on investments	**-2,908,575**	4	1,170,436
Realised price gains/losses on investments	**896,196**	4	6,245,808
Realised currency gains/losses on investments	**20,939**	4	331,969
Other exchange differences	**-97,906**		6,616
	-23,477,634		18,153,614
Expenses			
Investment management fees	**331,851**	11.1	457,234
Other expenses	**503,008**	11.2	439,387
	834,859		896,621
Total investment result	**-24,068,142**		17,563,965
Total investment result per ordinary share	**-47.94**		32.28

Statement of Cash Flows

	01-01-2008 31-12-2008 USD	notes	01-01-2007 31-12-2007 USD
Cash flow from investing activities			
Income from investments	**244,351**	10	306,972
Expenses	**-834,859**	11	-896,621
Result of operations	**-590,508**		-589,649
Purchases	**-2,165,716**	4	-10,663,815
Sales	**3,927,031**	4	13,156,550
	1,761,315		2,492,735
Change in short term receivables	**532,321**	5	-497,867
Change in current liabilities	**-115,950**	7	-1,929,524
	416,371		-2,427,391
Cash flow from investment activities	**1,587,178**		-524,305
Cash flow from financing activities			
Received on shares issued	**2,909,886**	8	5,641,202
Paid on shares repurchased	**-4,295,328**	8	-7,144,804
Dividend distribution	**-**		-
Cash flow from financing activities	**-1,385,442**		-1,503,602
Other exchange differences	**-97,906**		6,616
Change in cash and cash equivalents	**103,830**		-2,021,291
Cash and cash equivalents as at 1 January	**51,074**		2,072,365
Cash and cash equivalents as at 31 December	**154,904**		51,074

Notes

1.1 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. The Company is listed both on Euronext Amsterdam and on the London Stock Exchange.

The format of these financial statements is in conformity with legal financial annual reporting requirements and the Guiding Principles for Investment Institutions of the Dutch Council for Reporting. The financial year is concurrent with the calendar year. Since December 1991 the Fund is licenced to undertake investment activities according to the Dutch Act on Financial Supervision. (Wet op het Financieel Toezicht).

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

2. Principles of valuation

2.1 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;
- 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.

2.2 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 2008, equivalent of 1 US dollar:			
Euro	0.71940	Srilanka Rupee	113.00000
Indian Rupee	48.71997	Bangladesh Taka	68.91000

2.3 Other assets and liabilities

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

2.4 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 from the sale proceed
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 of 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.

3. Risk Management

Investing in emerging and developing markets carries risks that are greater than those associated with investment in securities in developed markets. In particular, prospective investors should consider the following:

3.1 Currency Fluctuations
The Fund invests primarily in securities denominated in local currencies whereas the Ordinary Shares are quoted in US dollars. The US dollar price at which the Ordinary Shares are valued is therefore subject to fluctuations in the US dollar/ local currency exchange rate.

3.2 Counterparty Risk
The Fund deals principally in listed stocks traded on the BSE and the NSE in India.
All transactions are book-entry and settlement is fully automated. In the event of non-delivery by either side, the transaction fails. In this case recovery can be achieved by delivery against payment or the transaction abandoned.

3.3 Concentration Risk
The investment restrictions for the Fund in section IX INVESTMENT POLICIES of the Prospectus, restrict the possibility for concentration of risk by stock and sector. Investors should note that the portfolio will be concentrated in the Indian sub-continent.

3.4 Market Volatility
Securities exchanges in emerging markets are smaller and subject to greater volatility than those in developed markets. The Indian market has in the past experienced significant volatility and there is no assurance that such volatility will not *occur in the future.*

3.5 Market Liquidity
A substantial proportion of market capitalization and trading value in emerging markets can be represented by a relatively small number of issuers. Also, there is a lower level of regulation and monitoring of the activities of investors, brokers and other market participants than in most developed markets. Disclosure requirements may be less stringent and there may be less public information available about corporate activity. As a result, liquidity may be impaired at times of high volatility. The Indian markets have withstood high volatility in the recent past and recovered momentum because of excellent corporate results. This has shown that the liquidity in the shares of the top companies is strong, as further emphasized by demand for those shares through Depository Receipts in overseas markets. Furthermore, standards of governance and transparency are improving dramatically under the impetus of the regulatory bodies. Other contiguous markets are not necessarily the same and the Fund only invests in them with the utmost care.

3.6 Fund Liquidity
The Fund’s rules allow weekly subscriptions and redemptions but in order to allow orderly management of the portfolio in the interest of continuing shareholders, the value of redemptions will be limited to 5% of the net asset value of the Fund on any one Dealing Day.

3.7 Political Economy
The Fund’s portfolio may be adversely affected by changes in exchange rates and controls, interest rates, government policies, inflation, taxation, social and religious instability and regional geo-political developments.

3.8 Legal and Regulatory Compliance
The Fund is responsible for ensuring that no action taken by it or by any contracted service provider might cause a breach of any legal or regulatory requirement. The Board and all of its service providers maintain adequate control procedures to guard against any such occurrence and these procedures are subject to regular review. Should such a breach occur inadvertently, control procedures should detect it and institute corrective action without delay.

Notes to the statement of assets and liabilities

	31-12-2008	31-12-2007
4. Investments	**USD**	USD
4.1 Statement of changes in securities		
Position as at 1 January	**38,002,691**	22,348,428
Purchases	**2,165,716**	10,663,815
Sales	**-3,927,031**	-13,156,550
Unrealised price gains/losses on investments	**-21,388,288**	10,398,785
Unrealised currency gains/losses on investments	**-2,908,575**	1,170,436
Realised price gains/losses on investments	**896,196**	6,245,808
Realised currency gains/losses on investments	**20,939**	331,969
Position as at 31 December	**12,861,648**	38,002,691
Historical cost	**13,605,745**	14,449,925

The total unlisted investments directly held by the Company amounted to USD 471,616, (31 December 2007: USD 23,567).
The portfolio breakdown as at 31 December 2008 is specified on pages 19 to 20 of this report.

4.2 Transaction costs

The transaction costs for the purchase of investments are capitalized within the historical cost price and for sales the transaction costs are discounted from the sales price. Transaction costs in 2008 are: USD 28,357, in 2007 USD 106,676.

5. Short term receivables

5.1 Receivables from subscriptions

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

5.2 Other debtors, prepayments and accrued income

Dividend receivable	**24,754**	33,642
Prepayments and other debtors	**-**	153,790
	24,754	187,432

6. Cash at banks

This includes immediately due demand deposits at banks.

7. Current liabilities (due within one year)

7.1 Payable on redemptions

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

7.2 Other liabilities, accruals and deferred income

Payable investment management fee	**48,741**	145,126
Payable administration fee	**15,030**	15,808
Payable auditors fee	**18,609**	66,889
Payable on security transactions	**-**	-
Other expenses payable	**39,985**	10,492
	122,365	238,315

8. Shareholders' equity

The authorised share capital of the Company is EUR 45,000 (31 December2007: EUR 45,000) and consists of:

-	Ordinary shares of EUR 0.01 each	4,450,005
-	Priority shares of EUR 0.01 each	49,995

		31-12-2008	31-12-2007
8.1 Issued capital	**number**	**USD**	USD
Ordinary shares:			
Position as at 1 January	544,146	**7,955**	7,763
Issued	50,520	**505**	986
Repurchased	-92,617	**-926**	-1,432
Revaluation		**-556**	638
Position as at 31 December	502,049	**6,978**	7,955
Priority shares:			
Position as at 1 January	49,995	**731**	659
Issued		**-**	-
Repurchased	-	**-**	-
Revaluation		**-36**	72
Position as at 31 December	49,995	**695**	731
Total issued capital		**7,673**	8,686

As at 31 December 2008 the subscribed share capital amounts to:		**EUR**
Ordinary shares, par value EUR 0.01 (31 December 2007: EUR 0.01)	4,450,005	**44,500**
Priority shares, par value EUR 0.01 (31 December 2007: EUR 0.01)	49,995	**500**
		45,000

The Company became open-ended at 7 April 2000. As at 31 December 2008 a total of 3,947,956 ordinary shares were repurchased, meaning that 502,049 ordinary shares are still outstanding as at 31 December 2008. Repurchased ordinary shares by the Company are directly charged against capital and share premium.

8.2 Share premium	**USD**	USD
Position as at 1 January	**30,622,339**	32,125,707
Received on shares issued	**2,909,381**	5,640,216
Paid on shares repurchased	**-4,294,402**	-7,143,372
Revaluation of outstanding capital	**592**	-212
Position as at 31 December	**29,237,910**	30,622,339

	31-12-2008	31-12-2007
	USD	USD
8.3 General reserve		
Position as at 1 January	**-9,819,428**	-18,553,954
Transferred from undistributed result	**17,563,965**	8,734,526
Position as at 31 December	**7,744,537**	-9,819,428
8.4 Undistributed result		
Position as at 1 January	**17,563,965**	8,734,526
Dividend distribution	**-**	-
Transferred to/from general reserve	**-17,563,965**	-8,734,526
Total investment result	**-24,068,142**	17,563,965
Position as at 31 December	**-24,068,142**	17,563,965

Three years Himalayan Fund N.V.

	31-12-2008	2007	2006
Net Asset Value (USD x 1,000)			
Net Asset Value according to statement of assets and liabilities	**12,922**	38,376	22,315
Less: value priority shares	**1**	1	1
	12,921	38,375	22,314
Number of ordinary shares outstanding	**502,049**	544,145	588,746
Per ordinary share			
Net Asset Value share (USD)	**25.74**	70.52	37.90

Notes to the statement of operations

10. Income from investments

10.1 Dividends

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

10.2 Interest income

Most of this amount was received on outstanding cash balances.

10.3 Other income

Up to April 2007 this refers to the upcount of 0.5% received on shares issued and discount of 1.0% calculated on shares repurchased. From May 2007 this refers to the charges of 0.35% received on shares issued and repurchased.
From December 2007 the upcount and discount is 0%.
These costs are to cover transaction costs in relation with the subscriptions/redemptions and are booked as an income for the Company.

	01-01-2008	01-01-2007
11. Expenses	**31-12-2008**	31-12-2007
	USD	USD
11.1 Investment management fees		
Management fee	**310,651**	436,698
Other investment management fees	**21,200**	20,536
	331,851	457,234

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.

11.2 Other expenses		
Administration fee	**165,199**	148,598
Domicile fee	**29,750**	29,750
Commission and bank expenses	**18,149**	22,411
Marketing, advisory and advertising fees	**90,854**	47,185
Regulatory fees and expenses	**50,918**	20,352
Auditor and fiscal advisor fees	**46,131**	79,700
Directors' fee (incl. VAT and travel expenses)	**91,459**	81,964
Miscellaneous	**10,548**	9,427
	503,008	439,387

Expense ratio

The expense ratio (cost ratio) is calculated as follows: the total expenses of the Company divided by the average NAV
The expense ratio of the Company for the reporting period is equal to: 3.49 % (31 December 2007: 3.34%).

Turnover ratio

The turnover ratio is calculated as follows: the total sum of purchases plus sales minus subscriptions minus redemptions divided by the average Net Asset Value *.
The turnover ratio of the Company for the reporting period is equal to: 0 % (2007: 41.08 %).

Comparison of real cost with cost according to Prospectus

	According to Prospectus	Real costs
Management fee (1)	310,651	310,651
Administration fee (2)	194,949	194,949
Directors fee (3)	100,000	91,459

1) 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 USD 100,000. The actual Directors remuneration were USD 8.541 less than in the prospectus. Directors costs per person is as follows: Ian McEvatt:USD 10.000 (2007: USD 10.000); Joe Tabbers: USD 11.900 (2007: USD 11.900); Dwight Makins USD 18.500 (2007: USD 19.217); Robert Meijer USD 22.015 (2007: USD 20.825).

Employees

The Company has no employees.

External auditor

The remuneration of the external auditor for the audit of the 2008 financial statements is as follows:

2008	Deloitte Accountants B.V.	Other Deloitte Entities	Total Deloitte
	Euro	Euro	Euro
Audit financial statemer	19,235	0	19,235
Other audit work	0	0	0
Fiscal advisory work	0	0	0
Other non-audit work	0	0	0
Total	**19,235**	**0**	**19,235**

Both in 2008 and 2007 no fees were charged to the fund that are dependent upon the result of the work performed.
Audit fees in relation to the audit of the 2007 annual accounts amounted to USD 47.394 (excluding VAT).

Amsterdam, April 29, 2009

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

Portfolio breakdown

As per December 31, 2008

India		Market value USD	percentage of total Net Asset Value
Capital goods			
32,000	Bharat Heavy Electrical	894,976	
34,000	Larsen & Toubro	539,974	
		1,434,950	11.10%
Financials			
26,000	HDFC Bank	532,781	
15,000	Housing Development Financing Corporation	457,636	
43,000	ICICI Bank	395,491	
14,000	State Bank of India	370,345	
95,000	Power Finance	259,534	
10	Canbank mutual fund *	368,820	
		2,384,607	18.45%
Metals			
35,000	Jindal Steel & Power	654,634	
43,560	Tata Iron & Steel	194,196	
32,670	Tata Steel Rights	21,780	
		870,610	6.74%
Oil & Gas			
67,000	Oil & Natural Gas	917,400	
100,000	Cairn India	353,141	
60,000	Reliance Industries	1,518,166	
70,000	Tata Chemicals	237,428	
		3,026,135	23.42%

* Unlisted securities

Power			
80,000	Tata Power	1,230,132	
		1,230,132	9.52%
Technology			
32,000	Infosys Technologies	732,644	
34,000	Tata Consultancy	333,510	
125,000	Vakrangee Softwares	83,770	
		1,149,924	8.89%
Telecommunication			
101,655	Bharti Airtel	1,492,902	
75,000	Reliance Communications	349,754	
		1,842,656	14.26%
Transportation			
7,000	Aban Offshore	96,480	
350,000	Mercator Lines	242,098	
		338,578	2.62%
Other industry			
198,995	Crest Communication	88,224	
70,000	Jain Irrigation Systems	495,834	
		584,058	4.52%
Total India		**12,861,650**	**99.53%**
Total Investments		12,861,648	99.53%
Other net assets		60,330	0.47%
Total Net Asset Value		**12,921,978**	**100.00%**

Supplementary information

Personal interest

At the end of, or during the reporting period, none 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..

Priority Shares

During 2008 49.995 Priority Shares of Eur 0.01 each were held by Iceman Capital Advisors Ltd.

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

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 2008 of Himalayan Fund N.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year ended and the notes.

Management' s responsability

Management is responsible for the preparation and fair presentation of the final statements and for the preparation of the directors report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsability 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 responsability

Our reponsability 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 enclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 statemens in order to design audit procedures that are approporiate in the circumstances, but not for the purpose of expressing an opinion of 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 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirements under 2:393 sub 5 part f 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.

Amsterdam, April 29, 2009,

Was signed:

E.H.J. Mouthaan"