Himalayan fund nv

investing in India since 1990

Annual Report 2009

Contents

Himalayan Fund N.V.

open-end investment Fund (in Dutch: beleggingsmaatschappij met veranderlijk kapitaal)

Registered office:	c/o Inviqta Legmeerdijk 182 1187 NJ Amstelveen The Netherlands
Board of Directors:	Ian McEvatt, Chairman Dwight Makins Robert Meijer * Karin van der Ploeg *
Administrator:	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 3rd Floor, Trent House G Block, Plot No 60 Bandra Kurla Complex Bandra (East) Mumbai - 400 051 India
Listing Agent / Bank:	Fortis Bank (Nederland) N.V.
Auditor:	Deloitte Accountants B.V. Orlyplein 10 1040 HC Amsterdam
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* Dutch resident

Multiple year overview Himalayan Fund N.V.

	31-12-2009	31-12-2008	31-12-2007	31-12-2006	31-12-2005
Net Asset Value (USD x 1,000)					
Net Asset Value according to statement of assets and liabilities	**20,100**	12,922	38,376	22,315	23,578
Less: value priority shares	**14**	1	1	1	53
	20,086	12,921	38,375	22,314	23,525

	2009	2008	2007	2006	2005
Profit and loss					
(USD x 1,000)					
Income from investments	**201**	244	307	413	304
Capital gains/losses	**11,308**	-23,478	18,154	9,264	5,479
Expenses	**-745**	-835	-897	-943	-642
Total investment result	**10,764**	-24,069	17,564	8,734	5,141
Number of ordinary shares outstanding	**410,804**	502,049	544,145	588,746	892,419
Per ordinary share					
Net Asset Value share (USD)	**48.89**	25.74	70.52	37.90	26.36
Transaction price Euronext Amsterdam end of reporting period (USD)	**47.29**	24.69	69.35	37.00	32.01
Income from investments (USD)	**0.49**	0.49	0.56	0.70	0.34
Capital gains/losses (USD)	**27.54**	-46.75	33.37	15.74	6.14
Expenses (USD)	**-1.81**	-1.66	-1.65	-1.60	-0.72
Total investment result (USD)	**26.22**	-47.92	32.28	14.84	5.76

Profile

General
Himalayan Fund N.V. (the "Fund") is an open-end investment company (in Dutch: beleggingsmaatschappij met veranderlijk kapitaal) incorporated under Dutch Law with its statutory seat in Amsterdam, The Netherlands. The Fund has 4,450,005 Ordinary Shares and 49,995 Priority Shares in issue.

Objective
The Fund's principal objective is to generate long-tern capital appreciation for its shareholders by investing in the stock markets of the Indian sub-continent. The Fund currently invests only in the Indian stock markets; the discretion to invest a small proportion of the portfolio in contiguous markets is not currently exercised. The Fund is registered as a Foreign Investment Institution (FII) with the Securities and Exchange Board of India which enables it to hold its own investments directly with its custodian, Citibank NA in Mumbai.

Open-ended status
The Fund is classified as an open-ended fund in The Netherlands and its Ordinary Shares are traded weekly through the Euronext Fund Service of NYSE Euronext Amsterdam. Liquidity is assured by the Fund buying and selling its own shares in the market at a Transaction Price based on Net Asset Value and holding re-purchased shares in treasury pending re-sale.

Investment advisor
The Investment Advisor is Iceman Capital Advisors Ltd. (Iceman), appointed by shareholders in the annual general meeting on June 7th, 2006 under an investment advisory agreement of the same date. 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.

Registered office:
The Fund has appointed Inviqta, a partnership of lawyers established in Amstelveen, The Netherlands, to provide domiciliation and company secretarial services.

Administrator
Fastnet Netherlands N.V. (Fastnet NL) established in Amsterdam, The Netherlands has been appointed by the Fund as the Administrator of Himalayan Fund NV. Fastnet NL is an integral part of an international fund administration network operating under the Fastnet name.

Corporate Governance
The Board of Directors has adopted a Code of Governance (Principles on Fund Governance) practice which is available for downloading from the official website. The Fund does not actively use its voting rights at shareholder meetings of companies in which it has invested.

Taxation
In order to qualify as a Fiscal Investment Institution in The Netherlands, the Fund is obliged to distribute all of its fiscal income and will then be subject to 0% rate of Dutch corporate income tax on its profits. It is the intention that the Fund is managed in such a way as to maintain this status.

The Fund is registered as a Foreign Investment Institution with the Securities and Exchange Board of India: this enables the Fund to enjoy the benefits of the tax treaty between India and The Netherlands, so that the proceeds of investment in India can be received free of tax.

The Fund applies annually for certification as a "distributing fund" in the United Kingdom. It is the Fund's intention that it should be managed in such a way as to qualify for this certification every year.

When the Fund has held investments in Bangladesh and Sri Lanka in the past, dividends received have been subject to withholding tax which has been carried as an expense in the profit and loss account. No capital gains tax is levied in Sri Lanka; the Fund has been able to claim exemption from capital gains tax in Bangladesh due to its tax exempt status in The Netherlands.

Chairman's Report

Dear Shareholders,

At the end of a year of dramatic resurgence in Indian stock markets, I am pleased to report that the net asset value per share of your Fund increased from $25.74 to $48.89 over the year, an increase of 90%. In the same period, the S&P CNX Nifty Index increased by 83% in U.S. dollar terms, so your fund outperformed its comparative benchmark by 7%. I can't really call it a year of recovery, because we saw one final sharp downdraft in the first quarter before there was a sustained recovery. The crisis of risk appetite carried over from the previous year as global investors retreated further and the Indian markets saw the outflow of foreign money continue. The Nifty valuation fell below its historical range of 11 to 24 times earnings in early March, reaching as low as 8 times earnings to stand well oversold by any standards.

The year was dominated by global economic concerns, interspersed with sharp reactions to domestic politics and economics in turn. The Indian economic policy environment was highly stimulative, since the Reserve Bank of India (RBI) had cut interest rates and bank cash reserves and the government had trimmed excise duties and indirect taxation. In the first quarter, it was uncertainty about global economic recovery which held sway, though the impending Indian general election also undermined sentiment. As the quarter progressed, data began to suggest an acceleration of growth and the makings of a recovery in corporate earnings. Thus from an historic low-point in the first week of March, the Nifty started to advance smartly and momentum was sustained through the general election in April. When the results were declared in mid-May, the return of the Congress-led government with a strengthened mandate was greeted by the most dramatic day in recent market history. Buying pressure was so intense that the prudential circuit-breakers were activated within two minutes of opening, three times during the day. On the third occasion, the market closed for the day, as required by regulation, so that order could be restored in the buy/sell balance. The market nominally closed eighteen percent up on the day but the order flow was so small it doesn't really count. The next day became a market-clearing day and the index closed slightly down but still a net 15% ahead on the election result.

The remainder of the second quarter featured the formation of the new government and rising expectations for its first budget, to be delivered in early July. In the event, the market was guilty of over-optimism and a self-evidently political budget, with copious rewards for voters caused a sharp correction. Mature reflection on the content eventually demonstrated the stimulative potential of the expenditure plans and the markets recovered their composure. The first evidence of a recovery in corporate earnings emerged in the first quarter results in July, as companies benefitted from low raw materials prices and attention to cost control to boost margins. This recovery was confirmed when the second quarter results were disclosed in early October. The Nifty hit its peak for the year in the week of October 20th before correcting again through month-end under the influence of weak global sentiment reflected in strong net selling by foreign investors.

From early November through year-end, the market recovered its momentum on the strength of economic data showing an unexpectedly strong recovery in industrial production and manufactured exports. The Nifty closed the year at 3866; this was lower than the year high of 3905 in October but represented a return of 77.3% in Rupee terms for the year and a recovery of 126.9% from the low of early March. At the year-end level, the Nifty had recovered 46.5% of its total points' loss from peak to trough. The NAV of Himalayan Fund NV at year end represented a recovery of 54.2% of its decline from peak to trough in 2008/9.

There are lots of points to make up still but markets continue to be overshadowed by global economic concerns. Risk appetite is dominated by short-term swings in sentiment over sustainability of global recovery and contagion in developed markets from the fragility of the Euro-fringe. Meanwhile, Indian growth continues to accelerate on the back of strong industrial production and sustained public sector investment. Inflation has been a background problem but is almost entirely due to food prices, following a weak monsoon. The strength of recovery and the risk of inflation spreading presented the policy dilemma of withdrawing stimulus from the economy before overheating might jeopardise growth.

The RBI made its contribution following its quarterly policy review at the end of January, raising bank cash reserves by three quarters of a percent to withdraw patently excess liquidity from the money markets. Money supply was growing much slower than expected, as was bank credit. As a matter of interest, this policy statement was accompanied by the RBI's first ever analyst conference call, seemingly a gesture to emphasise the RBI's transparency but also to transmit two important messages. First, the RBI has a bias against acting between reviews except in response to some wholly unanticipated occurrence, so speculation is a waste of time. Second, since food inflation is a supply-side issue, it is not amenable to monetary action and in any case, they see it ameliorating as the production from a bumper winter harvest reaches the market. In conclusion, they urged the government to adopt a coordinated policy of fiscal consolidation in the Budget.

The budget for the fiscal year 2011, starting April 1st (FY11) was tabled in the Lokh Saba at the end of February. As an exercise in fiscal consolidation it was greeted with an enthusiastic rise in the stock markets and received favourable comment in two pieces in the Financial Times. The broad direction was partially to roll back excise cuts made by way of stimulus, amend corporate taxes with a net increase in application and value as well as proposing spending plans which increase by a much lower rate than the corresponding tax collection. Overall, the net borrowing requirement rises modestly but declines in proportion to GDP. The effect is to reduce the projected fiscal deficit by 1.2% in FY11, with further reductions in the following two years. The spending plans include substantial commitments to infrastructure development, including road and power capacity expansion, additional funding for irrigation systems and a boost to rural employment guarantee programmes. Changes to direct and indirect tax systems were introduced to dovetail with the introduction of a new Direct Tax Code and a nationwide goods and services tax in FY12. The overall impact is to sustain growth through promoting investment and supporting consumer demand.

Against this background, the conditions for sustaining growth in corporate earnings are excellent. Private sector investment plans are already accelerating so that this should become a major contributor to driving growth by the second half of this year. By then, we will have all three key growth drivers acting to drive the rate of GDP growth towards the government's short-term target of 9%. With inflation then running in line with the RBI medium-term target of 6%, this provides an underpinning of 15% nominal growth for earnings per share. The prospects for market re-rating are excellent as the visibility of earnings growth becomes apparent.

Your Board and I are very optimistic about the prospects for the Indian economy in the foreseeable future and believe that this will be translated into excellent returns for our investors in the medium term. We thank and commend our shareholders for their loyalty to the Fund and assure them of our continuing commitment to their interests.

Directors' Report

The Fund

The NAV of the Fund's shares on the first Execution Day of the year (January 2, 2009) was $26.63 and on the last Execution Day (December 18, 2009) it was $47.29. This reflected a rise of 77.6% in the net asset value of the Fund. The net asset value per share at the close of business on December 31st 2008 was $48.89, compared with $25.74 a year earlier, representing an increase in value of 90% in the year. The difference between the two figures is explained by the fact that the closing day for accounting purposes was not an Execution Day for the Fund's shares in either year. The Fund's performance benchmark is the S&P CNX Nifty Index and for the period January 1, 2009 to December 31, 2009 the index rose by 83% in US Dollar terms. Thus, the Fund out-performed its performance benchmark by a margin of 7% for the year.

At the start of 2009, 502,049 Ordinary Shares of the Fund were placed with third parties. At the end of the year, this number had fallen to 410,804, a decline of 18%. Despite excellent performance and a strong Indian market, 2009 was a very difficult year for promoting investment in the Fund. Global equity investor sentiment was brittle throughout and the Fund had to repurchase a substantial block of shares from one investor around mid-year. The Directors would like to thank our shareholders for their continuing support of the Fund and are confident that they will be rewarded with excellent returns in the foreseeable future.

The Portfolio

Heavy selling by foreign investors continued to drive the Indian markets down through the first two months until the market reached an historic low earnings multiple of 8 times earnings. Then, in an abrupt about-face the markets started to recover, rising steadily in spite of political uncertainty. A resounding endorsement of the outgoing government at the polls added momentum, including one of the highest daily rises ever on the day the election results were announced. Early disappointment with the new government's first budget gave way to renewed upward momentum as the scale of stimulus in the budget became clear. Surprisingly strong recovery in industrial production then propelled the market through the early stages of earnings recovery and continued uncertainty on global economic prospects failed to derail a remarkable year's returns from India stocks.

The Fund's portfolio is tuned to the predominantly domestic demand drivers of the Indian economy. Our heaviest weightings are in companies geared to infrastructure development, including upstream oil & gas, capital goods and power generation. Despite a recovery in the oil price and the start of commercial production in Reliance Industries' KG-D6 natural gas field and Cairn India's crude oil fields in Rajasthan, the Oil and Gas sector broadly underperformed. The Capital Goods sector was mixed, with Larsen & Toubro an out-performer and BHEL a market performer. The Power sector was a disappointment, with Tata Power and NTPC underperforming though the steel/power hybrid Jindal Steel & Power made the largest contribution of all to outperformance. Tata Steel was also a big contributor on the back of strong sales to automobile producers who encountered a dramatic surge in demand. Jain Irrigation was another outperformer as it capitalised on its market leadership in irrigation systems in a year of weak monsoons. Later in the year, the performance of mobile phone stocks degenerated in the face of a vicious price war and the looming prospect of expensive payments for 3G licenses. The Financial sector was a market performer at best, as banks suffered from concerns about treasury profit declining as monetary policy tightens while loan growth was still anaemic. Finally, the IT sector was a useful outperformer as US and European demand for outsourcing held up in spite of the financial crisis.

We expected the Indian economy to avoid the worst of the global economic slowdown and it duly did with the aid of easy monetary policy and a fiscal stimulus worth 3-4% of GDP. The rate of GDP growth has recovered and having slowed to 6.7% in FY09, it is now forecast to be over 7% in FY10. Next year it is expected to accelerate towards 8% and the government believes it can reach double figures in three to four years. With a major thrust in infrastructure development, particularly in highways and power generation, a new cycle of private sector investment in productive capacity should be ignited this year. In combination with sustained consumer demand, this should drive the new earnings growth cycle for several quarters to come. We have trimmed our exposure to the financial sector and are adding more consumer stocks to the portfolio this year. We have also reduced our telecom exposure to only one stock, Bharti Airtel, where the quality of management should enable it to maintain market leadership. We have added Crompton Greaves to diversify our exposure to the infrastructure story. We have added to Aban Offshore as the drilling rig cycle seems to be turning and Indraprashtha Gas adds gas distribution in Delhi to our energy sector exposure. We remain convinced of the rising importance of oil and gas production in India and so will be maintaining our positions in Cairn India and Reliance Industries.

Risk Management and Administration

During the year 2009, we amended the Articles of Association to increase the nominal value of the Priority Shares to ensure that statutory capital ratios can be maintained in the long-term. In order to maintain the status of fiscal investment institution in The Netherlands, the holder of the Priority shares has agreed to waive its statutory right to receive a dividend on those shares. This waiver will be incorporated into the Articles of Association by way of a shareholder motion at the next AGM. We have adopted a formal policy on fund governance ("Principles on Fund Governance") and published the policy on the Fund's website. Periodic reviews have been taken place by the Reporting Entity and have been reported and discussed by the Oversight Entity and the Board at the Board meetings.
An updated prospectus of the Fund is being prepared and will be published as soon as possible.

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. The Fund does not engage in securities' lending and periodically asks its custodian to confirm that its stocks have not been used for securities' lending. As a matter of policy, the Fund does not hedge currency exposure in the portfolio. In 2009, the Rupee appreciated by 4.2% against the US dollar and this contributed to the rise in portfolio value. This appreciation was substantially due to a reversal of the outflows of foreign portfolio investment in the previous year, with net purchases of shares by foreign investors accumulating to over $16 billion. In 2009 there was a substantial increase in the equity market activities of domestic institutions, even as retail interest declined. The volume of domestic institutional buying now often exceeds that of foreign investors.

There was one occasion during the year on which market order was severely disrupted. This was on the day the general election results were announced when a wave of buying interest triggered the prudential circuit-breakers three times. Market regulation requires that when the circuit-breakers are tripped, the market closes for two hours; if it happens a third time in a day, the market closes for the day. On the day in question, the market theoretically rose by eighteen percent; the following day when the balance of orders was restored, the market retreated by three percent, for an overall two-day advance of 15%.

Your Board has reviewed the operations of the Investment Advisor during the year and are satisfied that it has the substance and procedures to carry out its responsibilities in a suitable manner. In terms of risk analysis, the portfolio shows a mean monthly return of 2.11% with a standard deviation of 10.54 and Sharpe ratio of 2.09 over a five-year period. The S&P CNX Nifty Index generated a mean return of 1.97% with a standard deviation of 10.33 and a Sharpe ratio of 1.94. The Fund had 40 periods of positive returns against 38 for the index and both had a maximum drawdown of 30.7%. The summary conclusion from this analysis is that the investment management of the Fund adds value relative to the comparative index and that the Investment Advisor has provided a standard of service which satisfies the Board.

The Board also reviews the conduct of the administration of the Fund by the Administrator at regular management meetings. As a consequence of these reviews, the Directors have reason to believe that they are in control of the operations of the Fund.

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. In 2009 two new brokers were added to the panel bringing the total to number to five. 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.

The Directors have taken steps in 2009 to reduce the Fund's expenses, including negotiating a new Administration Agreement with Fastnet Netherlands. As a result, the administration fee has been amended from a percentage rate with a fixed minimum, to a flat-rate fee of EUR 50,000. Regulatory fees and expenses have also fallen sharply. In spite of this, the Total Expense Ratio has increased. This is substantially due to the application of the formula used to calculate the ratio and the timing of fluctuations in the asset value of the Fund. Because of this, the benefits of the cost reductions will not be reflected in the TER until the current year.

In control Statement
Our activities are organized in accordance with a description of the operational structure which fulfils the requirements of the Act on Financial Supervision and the Decree on the Supervision of the Conduct of Financial Enterprises.

We have reviewed certain aspects of our operational structure with respect to the fourth quarter 2008. While conducting our review, we have not become aware of facts or other elements that would make us believe that the description of the operational structure as provided for under article 121 of the Decree of the Supervision of the Conduct of Financial Enterprises does not comply with the Act on Financial Supervision and the regulations adopted pursuant to such Act. We are therefore able to confirm, in our capacity as Manager of the Fund, that our activities are carried out based on a description of the operational strcture as referred to under article 121 of the Decree on the Supervision of the Conduct of Financial Eterprises and that such a description fulfils the requirements of the Decree on the Supervision of the Conduct of Financial Enterprises.

We have not become aware of any fact or other element that would make us believe that the operational stucture was not carried out in an efficient way and in accordance with the description.

We therefore state with a reasonable level of certainty that our operations are carried out effectively and In accordance with the description.

The Outlook
The prospects for economic growth in India are excellent and the government has committed to a stable economic policy framework. The RBI clearly has a grip on the monetary aggregates as well as the prudential direction of the banking sector. Its commitment to transparency as evidenced by its adoption of the analyst conference call after its policy review is unique. Inflation is a headache but an impending record winter cereal crop should put the food price contribution into reverse. Against this background, the Directors believe the outlook for superior returns from investing in Himalayan Fund is excellent.

Amsterdam, April 26, 2010

Board of Directors
Ian McEvatt, Chairman
Dwight Makins
Robert Meijer
Karin van der Ploeg

Financial statements
Himalayan Fund N.V.
Annual Report 2009

Balance sheet

(before profit appropriation)

	31-12-2009 USD	Notes	31-12-2008 USD
Investments			
Securities	**20,125,806**	4	12,861,648
Short term receivables			
Receivables from subscription	**-**	5.1	3,037
Dividend receivable	**-**		24,754
	-		27,791
Other assets			
Cash at banks	**128,995**	6	154,904
Current liabilities (due within one year)			
Other liabilities, accruals and deferred income	**154,656**	7.1	122,365
Total current liabilities	**154,656**		122,365
Total of receivables and other assets less current liabilities	**-25,661**		60,330
Total assets less current liabilities	**20,100,145**		12,921,978
Shareholders' equity			
Issued capital	**20,124**	8.1	7,673
Share premium	**25,639,923**	8.2	29,237,910
General reserve	**-16,323,605**	8.3	7,744,537
Undistributed result current year	**10,763,703**	8.4	-24,068,142
Total shareholders'equity	**20,100,145**		12,921,978
Net Asset Value per share	**48.89**		25.74

Profit & Loss account

	01-01-2009 31-12-2009 USD	Notes	01-01-2008 31-12-2008 USD
Income from investments			
Dividends	**183,470**	10.1	242,522
Interest income	**326**	10.2	1,829
Other income	**16,891**	10.3	-
	200,687		244,351
Capital gains/losses			
Unrealised price gains/losses on investments	**8,441,183**	4	-21,388,288
Unrealised currency gains/losses on investments	**812,733**	4	-2,908,575
Realised price gains/losses on investments	**2,356,285**	4	896,196
Realised currency gains/losses on investments	**-292,432**	4	20,939
Other exchange differences	**-10,234**		-97,906
	11,307,535		-23,477,634
Expenses			
Investment management fees	**273,180**	11.1	331,851
Other expenses	**471,339**	11.2	503,008
	744,519		834,859
Total investment result	**10,763,703**		-24,068,142
Total investment result per ordinary share	**26.20**		-47.94

Statement of Cash Flows

	01-01-2009 31-12-2009 USD	notes	01-01-2008 31-12-2008 USD
Cash flow from investing activities			
Income from investments	200,687	10	244,351
Expenses	-744,519	11	-834,859
Result of operations	-543,832		-590,508
Purchases of investments	-3,260,102	4	-2,165,716
Sales of investments	7,313,713	4	3,927,031
	4,053,611		1,761,315
Change in short term receivables	27,791	5	532,321
Change in current liabilities	32,291	7	-115,950
	60,082		416,371
Cash flow from investment activities	3,569,861		1,587,178
Cash flow from financing activities			
Received on shares issued	1,010,742	8	2,909,886
Paid on shares purchased	-4,596,278	8	-4,295,328
Cash flow from financing activities	-3,585,536		-1,385,442
Other exchange differences	-10,234		-97,906
Change in cash and cash equivalents	-25,909		103,830
Cash and cash equivalents as at 1 January	154,904		51,074
Cash and cash equivalents as at 31 December	128,995		154,904

Notes

1.1 General
Himalayan Fund N.V. ('the Fund') is an open-end investment fund (in Dutch: beleggingsmaatschappij met veranderlijk kapitaal) incorporated under Dutch law and has its statutory seat in Amsterdam. The Fund is listed both on Euronext Amsterdam and on The London Stock Exchange.

This annual report is prepared in accordance with Title 9 Book 2 BW and the Act on the Financial Supervision (AFS) ("Wet op het financieel toezicht"). Since December 1991 the Fund is licensed to undertake investment activities according to the Act on the Financial Supervsion.

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 investment advisor 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 US 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 2009, equivalent of 1 US dollar:			
Euro	0.69699	Srilanka Rupee	114.40000
Indian Rupee	46.53497	Bangladesh Taka	69.26001

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 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 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.

2.5 Cash flow statement

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

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 purchases and sales of Ordinary Shares but in order to allow orderly management of the portfolio in the interest of continuing shareholders, the value of net purchases may be limited to 5% of the net asset value of the Fund on any one Execution 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 Fund 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.

3.9 Credit risk
The principal credit risk is counterparty default (i.e., failure by the counterparty to perform as specified in the contract) due to financial impairment or for other reasons. Credit risk is generally higher when a nonexchange-traded or foreign exchange-traded financial instrument is involved. Credit risk is reduced by dealing with reputable counterparties. The Fund manages credit risk by monitoring its aggregate exposure to counterparties.

Notes to the Balance Sheet

	31-12-2009	31-12-2008
4. Investments	**USD**	USD
4.1 Statement of changes in securities		
Position as at 1 January	**12,861,648**	38,002,691
Purchases	**3,260,102**	2,165,716
Sales	**-7,313,713**	-3,927,031
Unrealised price gains/losses on investments	**8,441,183**	-21,388,288
Unrealised currency gains/losses on investments	**812,733**	-2,908,575
Realised price gains/losses on investments	**2,356,285**	896,196
Realised currency gains/losses on investments	**-292,432**	20,939
Position as at 31 December	**20,125,806**	12,861,648
Historical cost	**11,615,987**	13,605,745

The portfolio comprises of shares, mainly listed.

The total unlisted shares held directly by the Fund amounted to USD 144,251 (31 December 2008 : USD 471,616)

The portfolio breakdown as at 31 December 2009 is specified on pages 18 to 19 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 2009 are : USD 31,061 (2008 : USD 28,357)

5. Short term receivables

5.1 Receivables from subscriptions

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

6. Cash at banks

This includes immediately due demand deposits at banks.

7. Current liabilities (due within one year)

7.1 Other liabilities, accruals and deferred income

Payable investment advisory fee	**75,990**	48,741
Payable administration fee	**5,978**	15,030
Payable auditors fee	**34,147**	18,609
Other expenses payable	**38,541**	39,985
	154,656	122,365

8. Shareholders' equity

The authorised share capital of the Fund is EUR 60,000 (31 December2008: EUR 45,000) and consists of:

- Ordinary shares of EUR 0.01 each	4,450,005
- Priority shares of EUR 0.20 each	49,995

		31-12-2009	31-12-2008
8.1 Issued capital	**number**	**USD**	USD
Ordinary shares:			
Position as at 1 January	502,049	**6,978**	7,955
Sold	27,385	**274**	505
Purchased	-118,630	**-1,186**	-926
Revaluation		**-172**	-556
Position as at 31 December	410,804	**5,894**	6,978
Priority shares:			
Position as at 1 January	49,995	**695**	731
Sold	-	**14,230**	-
Revaluation		**-695**	-36
Position as at 31 December	49,995	**14,230**	695
Total issued capital		**20,124**	7,673

As at 31 December 2009 the issued and subscribed share capital amounts to:		**EUR**	EUR
Ordinary shares, par value EUR 0.01 (31 December 2008: EUR 0.01)	4,450,005	**44,500**	44,500
Priority shares, par value EUR 0.20 (31 December 2008: EUR 0.01)	49,995	**9,999**	500
		54,499	45,000

The Fund became open-ended on 7 April 2000. As at 31 December 2009 a total of 4,021,490 Ordinary Shares have been purchased, meaning that 428,515 ordinary shares are still outstanding as at 31 December 2009. Ordinary Shares purchased by the Fund are directly charged against capital and share premium.

8.2 Share premium	**USD**	USD
Position as at 1 January	**29,237,910**	30,622,339
Received on shares sold	**996,238**	2,909,381
Paid on shares purchased	**-4,595,092**	-4,294,402
Revaluation of outstanding capital	**867**	592
Position as at 31 December	**25,639,923**	29,237,910

	31-12-2009	31-12-2008
	USD	USD
8.3 General reserve		
Position as at 1 January	**7,744,537**	-9,819,428
Transferred from undistributed result	**-24,068,142**	17,563,965
Position as at 31 December	**-16,323,605**	7,744,537

	31-12-2009	31-12-2008
8.4 Undistributed result		
Position as at 1 January	**-24,068,142**	17,563,965
Transferred to/from general reserve	**24,068,142**	-17,563,965
Total investment result	**10,763,703**	-24,068,142
Position as at 31 December	**10,763,703**	-24,068,142

Three years Himalayan Fund N.V.

	31-12-2009	2008	2007
Net Asset Value (USD x 1,000)			
Net Asset Value according to statement of assets and liabilities	**20,100**	12,922	38,376
Less: value priority shares	**14**	1	1
	20,086	12,921	38,375
Number of Ordinary Shares outstanding	**410,804**	502,049	544,145
Per Ordinary Share			
Net Asset Value share (USD)	**48.89**	25.74	70.52

Notes to the Profit & Loss account

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

From March 6, 2009 this refers to the charges of 0.35% received on shares issued and repurchased.
From December 2007 up to March 6, 2009, the premium 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 Fund.

11. Expenses	**01-01-2009 31-12-2009 USD**	01-01-2008 31-12-2008 USD
11.1 Investment advisory fees		
Advisory fee	**261,157**	310,651
Other investment advisory fees	**12,023**	21,200
	273,180	331,851

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	**116,115**	165,199
Domicile fee and company secretarial fees	**41,063**	29,750
Commission and bank expenses	**17,261**	18,149
Marketing, advisory and advertising fees	**86,015**	90,854
Regulatory fees and expenses	**9,911**	50,918
Auditor and fiscal advisor fees	**56,362**	46,131
Directors' fee (incl. VAT)	**62,415**	62,415
Board expenses (insurances, travel expenses, etc)	**50,931**	29,044
Depreciation Canbank	**25,000**	-
Miscellaneous	**6,266**	10,548
	471,339	503,008

Expense ratio
The expense ratio (cost ratio) is calculated as follows: the total expenses of the Fund divided by the average NAV*.
The expense ratio of the Fund for the reporting period is equal to: 4.52 % (31 December 2008: 3.49%).

Turnover ratio
The turnover ratio is calculated as follows: the total sum of purchases plus sales minus subscriptions minus redemptions divided by the average NAV *.
The turnover ratio of the Fund for the reporting period is equal to: 17.61 % (2008: 0 %).

* - The average NAV of the Fund for the reporting period is calculated as the sum of the NAV as per 31 December 2008, 31 March 2009, 30 June 2009, 30 September 2009, 31 December 2009 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

	According to Prospectus	Actual costs
Management fee (1)	261,157	261,157
Administration fee (2)	116,115	116,115
Directors fee (3)	100,000	62,415

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 Fund.
2) Until August 1, 2009 the Fund has paid 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. As from August 1, 2009 as lower fee has been renegotiated. Fastnet NL is now paid a fixed fee of EUR 50,000 per year for administration services. Until August 1, 2009 the Fund also has been paying to Fastnet NL a fixed monthly domicile fee (exclusive VAT) equal to EUR 25,000 per year. As from August 1, 2009 Inviqta has been appointed to provide domicile and company secretarial services to the Fund for a fixed fee of EUR 25,000 (exclusive VAT) per year.
3) The Prospectus states that the remuneration of the Directors is subject to a limit of USD 100,000 in aggregate per year. In 2009 the remuneration of the Directors was USD 62,415 (inclusive VAT) in total. Directors fees per person are as follows: Ian McEvatt*: USD 10,000 (2008: USD 10,000); Joe Tabbers (resigned as per 11 June 2009): USD 5,950 (2008: USD 11,900); Dwight Makins USD 18,500 (2008: USD 18,500); Robert Meijer USD: 22,015 (2008: USD 22,015). Karin van der Ploeg* (appointed as per 11 June 2009) :USD 5,950 Board expenses (exclusive remuneration of the Directors) amount to USD 50,931 in 2009.

*: Ian McEvatt is also a director of the Investment Advisor of the Fund and Karin van der Ploeg is a partner of Inviqta. It has been agreed that members of the Board who are also directors/partners of the service providers of the Fund receive a fixed annual management fee of US$ 10,000.

Employees
The Fund has no employees.

Amsterdam, April 26, 2010

Board of Directors
Ian McEvatt, Chairman
Dwight Makins
Robert Meijer
Karin van der Ploeg

Portfolio breakdown

As per December 31, 2009

India		Market value USD	percentage of total Net Asset Value
Consumer goods			
11,250	Nestle India	615,976	
150,000	Marico	332,492	
		948,468	4.72%
Capital goods			
27,000	Bharat Heavy Electrical	1,394,416	
34,000	Larsen & Toubro	1,225,710	
		2,620,126	13.04%
Financials			
26,000	HDFC Bank	951,080	
13,000	Housing Development Financing Corporation	747,511	
14,000	State Bank of India	682,626	
95,000	Power Finance	533,744	
3	Canbank mutual fund *	144,251	
		3,059,212	15.22%
Metals			
90,000	Jindal Steel & Power	1,360,203	
49,005	Tata Iron & Steel	650,487	
		2,010,690	10.00%
Oil & Gas			
50,000	Oil & Natural Gas	1,265,715	
100,000	Cairn India	606,318	
75,000	Indraprastha Gas	321,855	
86,000	Reliance Industries	2,015,415	
70,000	Tata Chemicals	484,141	
		4,693,444	23.35%
Power			
60,000	Ntpc	303,836	
40,000	Tata Power	1,187,451	
		1,491,287	7.42%
Technology			
32,000	Infosys Technologies	1,788,659	
125,000	Vakrangee Softwares	179,569	
		1,968,228	9.78%

* Unlisted securities

Telecommunication			
116,690	Bharti Airtel	826,873	
75,000	Reliance Communications	277,775	
		1,104,648	5.50%
Transportation			
7,000	Aban Offshore	193,092	
350,000	Mercator Lines	433,599	
		626,691	3.12%
Other industry			
198,995	Crest Communication	290,785	
70,000	Jain Irrigation Systems	1,312,229	
		1,603,014	7.98%
Total India		**20,125,808**	**100.13%**

Total Investments	20,125,806	100.13%
Other net assets	(25,661)	-0.13%
Total Net Asset Value	**20,100,145**	**100.00%**

Other 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 all held in the name of Iceman Capital Advisors Ltd..

Priority Shares

During 2009 49.995 Priority Shares were held by Iceman Capital Advisors Ltd. At the beginning of 2009 the nominal value of the Priority Shares was Eur 0.01 each. On August 26, 2009 the Articles of Association were amended and the nominal value of the Priority Shares was increased to Eur 0.20 Each.

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

The directors of the Fund 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.

Appropriation of result

In accordance with the Fund's Articles of Association the Board will propose to the Annual General Meeting of Shareholders that the result will be added to the general reserves and that no dividend will be distributed.

Auditor's report

Reference is made to the auditor's report included hereafter.

Post balance sheet events

There have occurred no significant events after balance sheet date which will have an impact on the Fund.

Deloitte.

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To the Shareholders and the Directors of
Himalayan Fund N.V.
Amstelveen

Date	From	Reference
April 26, 2010	W.H.E van Ommeren	3100266980/OP9998/fb

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of Himalayan Fund N.V., Amsterdam, which comprise the balance sheet as at 31 December 2009, 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 directors report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act. 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 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

was signed: W.H.E. van Ommeren