Himalayan fund nv

investing in India since 1990

Annual Report 2010

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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:	ABN AMRO Bank N.V.
Auditor:	Deloitte Accountants B.V. Orlyplein 10 1040 HC Amsterdam
For information or Prospectus:	*Website: http://www.himalayanfund.nl* *Email: himalayan@inviqta.nl* *Phone: +31 (0) 20 641 1161*

* Dutch resident

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Multiple year overview Himalayan Fund N.V.

	31-12-2010	31-12-2009	31-12-2008	31-12-2007	31-12-2006
Net Asset Value (USD x 1,000)					
Net Asset Value according to balance sheet	**22.445**	20.100	12.922	38.376	22.315
Less: value priority shares	**14**	14	1	1	1
	22.431	20.086	12.921	38.375	22.314

	2010	2009	2008	2007	2006
Profit and loss (USD x 1,000)					
Income from investments	**302**	201	244	307	413
Capital gains/losses	**3.760**	11.308	-23.478	18.154	9.264
Expenses	**-733**	-745	-835	-897	-943
Total investment result	**3.329**	10.764	-24.069	17.564	8.734
Number of ordinary shares outstanding	**392.187**	410.804	502.049	544.145	588.746
Per ordinary share					
Net Asset Value share (USD)	**57,19**	48,89	25,74	70,52	37,90
Transaction price Euronext Amsterdam end of reporting period (USD)	**56,69**	47,29	24,69	69,35	37,00
Income from investments (USD)	**0,77**	0,49	0,49	0,56	0,70
Capital gains/losses (USD)	**9,59**	27,54	-46,75	33,37	15,74
Expenses (USD)	**-1,87**	-1,81	-1,66	-1,65	-1,60
Total investment result (USD)	**8,49**	26,22	-47,92	32,28	14,84

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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-term 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-end status
The Fund is classified as an open-end investment company 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.

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 N.V. 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.

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Chairman's Letter

Dear Shareholders,

After the dramatic market action of 2008 and 2009, the past year seemed distinctly benign on the surface, as the net asset value per share of your Fund increased by $8.3, from $48.89 to $57.19 during the year, an increase of 17%. In the same period, the S&P CNX Nifty Index increased by 17.9% but, taking account of Rupee appreciation, this translates into a 22.8% gain in U.S. dollar terms. Thus your Fund under-performed its comparative benchmark by 5.8% for the year.

We regret this relative underperformance, which was substantially due to unexpected action in a couple of stocks which occurred while a planned strategic adjustment was under way in August and September. As a consequence, the Fund was left with an unusually high level of liquidity during a strongly rising market. This event apart, the year was characterised by sharp swings in risk appetite as global investors reacted to economic uncertainty in the US and the EU and globally rising commodity prices. With financial markets moving largely in step, the Indian markets distinguished themselves by drawing in a record volume of liquidity, as foreign investors bought up a net $28bn of Indian shares.

Global market sentiment in 2010 was dominated by concerns about the pace of economic recovery in developed economies and a debt crisis in the Eurozone. As the year progressed, the strength of corporate earnings growth in many markets encouraged equity investors to believe that economic recovery would follow the markets, so returns for the year reflected that. The US, UK and Germany saw equity markets advance by double figures but China fell by 16% as signs of overheating emerged. While developing markets, especially in Asia, showed robust growth, signs of overheating emerged. Inflation and rapid absorption of excess capacity brought the requisite response in monetary policies, which brought markets off recent highs by year-end. Nonetheless, many global equity markets closed the year at or near record highs, despite major macroeconomic crises rumbling on and a broad absence of confidence in the major drivers of global economic growth.

India's GDP growth for the fiscal year ending March 2011(FY11) looks like reaching 8.5% as industrial and agricultural production make strong contributions. Industry was sustained by order flow from infrastructure projects and a surprisingly strong export performance. An excellent monsoon drove crop-sowing to record levels, especially in wheat, rice and cotton. Over-abundant rain extended beyond the normal season and this caused a reaction in horticultural supplies as shortages of onions and tomatoes caused a sharp up-tick in food inflation. Global wheat prices were also driven sharply upwards by poor weather in major production areas, adding to inflationary concerns.

The Reserve Bank of India (RBI) addressed the inflationary conditions with modest reserve adjustments and six successive increases in policy rates. This brought the policy stance from easy back to neutral but it may have been at the cost of stunting the embryonic recovery of private investment. For this reason, the RBI is looking for any excuse to stay its hand now, to avoid restraining growth as the government tries to spread the benefits across the population. There is increasing evidence that short-cycle horticultural production is recovering and bumper Kharif harvests and Rabi sowing will finally start to drive down the core inflation rate, allowing the RBI to ease back. Given some fiscal consolidation in the Union Budget to go with a stable monetary outlook, private sector investment may finally start to accelerate in line with a revival of public sector infrastructure orders. Against that background, GDP growth for FY12 should again be in the 8% range, with corporate earnings growing by 18-20%.

Since hitting a peak in early November 2010, Indian equity markets have seen a decent correction by the time of writing. The market valuation multiple has dropped from 19-20 times earnings to be in line with its long-term average of 14.5 times. This should provide an attractive entry point for investors interested in healthy returns over a three to four year time-frame.

The recent correction has substantially been driven by a change in global sentiment from one driven by swings in risk aversion to one driven by opportunity at the level of individual stocks. Sentiment for investing in India will be driven by the inflation outlook, the Union Budget and the manner in which the government addresses recent corruption scandals. With food supplies now assured and a high base effect dropping out of the picture in March, the rate of wholesale price inflation (WPI) should start to move back down into the RBI's target range in the June quarter. This should ease pressure on the RBI, as will recent evidence of slower absorption of excess capacity. The Finance Minister appears determined to sustain the reduction in the central fiscal deficit below 5%, while boosting spending on agricultural efficiency and infrastructure in the Union Budget.

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So, attention then turns to addressing the recent scandals concerning the Commonwealth Games, the procuring of mortgage advances and the allocation of 2G wireless spectrum licenses. These have given foreign investors the feeling that it is the "same old India" and with growth returning to the USA economy in particular and the major European ones as well, this has led to an outflow of capital. All these affairs are now the subject of criminal investigations and the Prime Minister has finally agreed to a parliamentary enquiry into the 2G matter. This decision was just in time to break the logjam caused by the opposition in the Lokh Saba to allow a constructive Budget Session of parliament to proceed. This may encourage movement on previously blocked reform measures, a welcome boost to investor confidence and optimism. None of these scandals have any relevance to the economic prospects for India and so we are confident that the Stock Markets will recover their poise and continue to grow in line with the expected earnings growth.

Your Board and I remain confident in the prospects for the Indian economy and for attractive returns from investing in Indian markets in the medium to long term. We thank our shareholders for their continued loyalty to Himalayan Fund N.V. and we once again assure them of our commitment to their interest.

Ian McEvatt

March 18, 2011

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Directors' Report

The Fund

The Transaction price of the Fund's shares on the first Execution Day of the year (January 4, 2010) was $49.13 and on the last Execution Day (December 31, 2010) it was $56.69, a rise of 15.4%. The net asset value per share at the close of business on December 31st 2010 was $57.19, compared with $48.89 a year earlier, representing an increase in value of 17% in the year. The difference between the two figures is explained by the fact that the opening day for accounting purposes was not an Execution Day for the Fund's shares in 2010; the closing day was an Execution Day but the Transaction Price is set at 0659 Amsterdam time. The Fund's performance benchmark, the S&P CNX Nifty Index rose by 22.8% in US Dollar terms for the period January 1, 2010 to December 31, 2010. Thus, the Fund under-performed its performance benchmark by a margin of 5.8% for the year.

At the start of 2010, 410,804 Ordinary Shares of the Fund were held by third parties. At the end of the year, this number had fallen to 392,187, a decline of 4.5%. Despite consistent performance and a strong Indian market, 2010 was a very difficult year for promoting investment in the Fund. Global investor risk appetite was volatile in the face of uncertainty about the strength of global economic recovery and was regularly punctured by the Eurozone credit crisis. Even though sales to new investors were subdued all year, net repurchases were also quite low. 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.

The Portfolio

Foreign portfolio flows provided a consistent underpinning for the Indian equity markets in 2010, with FII's investing a net $28billions in Indian shares. Investor sentiment was sustained by confident expectations that emerging markets would outperform developed markets on the back of strong GDP growth and accelerating earnings. In the event, India outperformed the other BRIC markets with a 22.8% gain in US Dollar terms. The economy enjoyed a number of favourable tailwinds including a "normal" monsoon, meaning rainfall equal to the long-term average, as well as exceptional income from the sale of 3G wireless spectrum licenses. The auction of wireless spectrum contributed an estimated 1% of GDP in non-tax revenue to the government. In addition, buoyancy in direct tax revenues has also helped to bring down the fiscal deficit, which is now forecast to undershoot its budget target of 5.5% of GDP.

The favourable monsoon brought record sowings of major crops and record reservoir levels, so that the agriculture sector is estimated to have contributed growth of 5.4% to overall GDP in 2010, compared to a typical average of around 2%. This growth has brought a considerable boost to rural consumption, which has become a stable component of aggregate demand. During the course of the year, stable growth in industrial production and accelerating manufactured exports provided economic momentum. Infrastructure investment was an important source of demand, though as the year progressed, bureaucratic and land acquisition delays slowed order flow for the Capital Goods sector in particular.

Portfolio strategy continued to focus on infrastructure development, particularly in the Energy sector but we also increased exposure to Consumer Goods. Financial sector exposure was trimmed as the RBI progressively moved monetary policy to a "neutral" stance, executing six policy rate increases. This may have delayed an acceleration of the private sector investment cycle but assured the RBI's record for inflation management, though it remains to be seen if they avoided stunting GDP growth. The favourable monsoon followed a really poor one in 2009, so there has been a hangover of food inflation, with a base level in the high teens, so harvesting this year's crops is a key element in driving overall WPI inflation down towards the RBI target of 7%.

Excellent returns came for stocks in FMCG, Telecom, IT, and agriculture-related businesses. Broad industrials under-performed, as did materials stocks, the Energy sector overall and Utilities; the Real Estate sector recorded a substantial loss, vindicating our decision to avoid it. Our biggest contributors to performance were Jain Irrigation, Housing Development and Indraprashtha Gas. Other big contributions came from Nestle India, Infosys and HDFC Bank. Under-performing stocks included Reliance Industries, Jindal Steel & Power, Tata Power and Bharat Heavy Electrical. During the year we sold Emami and Marico when they generated unexpectedly high returns in a short time-frame. We sold Reliance Communications, NTPC, Mercator Lines and a number of small-cap holdings in order to capture better return prospects. We sold Cairn India on the announcement of the Vedanta acquisition because we did not like the structure of the deal. Finally, we sold Aban Offhsore when it lost a rig in the Gulf of Mexico early in the year.

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The performance of the portfolio was unsatisfactory and your Board has reviewed the outcome with the Investment Advisor. A major contribution to underperformance came in August and September while we were adjusting sector exposures by trimming some concentrated positions to introduce new stocks. At this time, the Cairn India deal was announced and the Investment Committee of the Fund decided to exit the stock in the market. At the same time, a Consumer Goods stock hit a price level which triggered a sell recommendation and between the two, the Fund found itself with too much liquidity in a strong market. The portfolio underperformed by nearly 6% in September as a consequence.

For 2011, we have trimmed some of our concentrated holdings in Energy and Capital Goods; we are focussing on stocks which will benefit from the resurgent agricultural sector and burgeoning rural consumer demand. We have increased exposure to the IT sector which will see revenue gains in major markets as the Financial Sector in particular increases back-office and IT budgets.

Risk Management and Administration

In 2010, your Board undertook the following administrative and regulatory actions:

1. Adopted a new logo at the Board meeting in March;
2. Appointed Deloitte Belastingadviseurs B.V. as advisors on Dutch tax matters;
3. Amended Articles of Association on Priority Shares;
4. Filed a new Prospectus, effective June 7th;
5. Appointed Arden Partners plc as brokers to the Fund at The London Stock Exchange.

In preparation for each quarterly Board meeting, the Fund's Reporting Entity (Inviqta) prepared a checklist of compliance with corporate governance policy for the Oversight Entity (Mr. Dwight Makins). The Oversight Entity made a report to each Board, drawing attention to the checklist details. There have been no breaches of the corporate governance policy during the year 2010.

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 2010, the Rupee appreciated by 5.8% against the US dollar and this contributed to the rise in portfolio value. This appreciation was substantially due to record foreign portfolio inflows as well as external corporate borrowings by Indian businesses. The volume of market activity by domestic institutions continued to increase during 2010 and added substantial appetite for a heavy calendar of public offerings in the market. There were no instances during the year when market liquidity suffered disruptive events which might have prevented orderly execution of orders.

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 2.13% with a standard deviation of 10.81 and Sharpe ratio of 2.11 over the period since the appointment of the Investment Advisor. The S&P CNX Nifty Index generated a mean return of 2.09% with a standard deviation of 10.55 and a Sharpe ratio of 2.07. The Fund had 35 periods of positive returns against 32 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 Board 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. No new brokers were added to the panel during the year, though one broker is no longer used due to a disruption in relationship resulting form reorganisation. 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 continue to manage expenditure tightly though further significant cost reduction is difficult. The TER is at an unsatisfactory level and the solution lies in introducing new investors. At the time of writing, there are negotiations under way which, it is hoped, will bring access to new investors for the Fund. Given a reasonable volume of inflows, the TER can be expected to fall quite rapidly.

The Outlook

The prospects for sustained economic growth in India are excellent and the government is committed to a stable economic policy framework. Inflation seems to be on a downward trajectory now, allowing the RBI to focus on growth. The government is making progress on addressing the major corruption scandals which have attracted headlines overseas and the market valuation stands at an attractive level. Against this background, the Directors believe the outlook for superior returns from investing in Himalayan Fund is excellent.

Amsterdam, March 18, 2011

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

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Financial statements
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Balance sheet

(before profit appropriation)

	31-12-2010 USD	Notes	31-12-2009 USD
Investments			
Securities	**21.851.061**	4	20.125.806
Other assets			
Cash at banks	**775.892**	5	128.995
Current liabilities (due within one year)			
Due to redemptions	**22.006**	6,1	-
Other liabilities, accruals and deferred income	**160.086**	6,2	154.656
Total current liabilities	**182.092**		154.656
Total of receivables and other assets less current liabilities	**593.800**		-25.661
Total assets less current liabilities	**22.444.861**		20.100.145
Shareholders' equity			
Issued capital	**19.490**	7,1	20.124
Share premium	**24.656.811**	7,2	25.639.923
General reserve	**-5.559.902**	7,3	-16.323.605
Undistributed result current year	**3.328.462**	7,4	10.763.703
Total shareholders'equity	**22.444.861**		20.100.145
Net Asset Value per share	**57,19**		48,89

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Profit & Loss account

	01-01-2010 31-12-2010 USD	Notes	01-01-2009 31-12-2009 USD
Income from investments			
Dividends	**293.858**	8,1	183.470
Interest income	**65**	8,2	326
Other income	**8.354**	8,3	16.891
	302.277		200.687
Capital gains/losses			
Unrealised price gains/losses on investments	**3.488.913**	4	8.441.183
Unrealised currency gains/losses on investments	**740.121**	4	812.733
Realised price gains/losses on investments	**-134.222**	4	2.356.285
Realised currency gains/losses on investments	**-328.082**	4	-292.432
Other exchange differences	**-7.175**		-10.234
	3.759.555		11.307.535
Expenses			
Investment advisory fees	**340.993**	9,1	273.180
Other expenses	**392.377**	9,2	471.339
	733.370		744.519
Total investment result	**3.328.462**		10.763.703
Total investment result per ordinary share	**8,49**		26,20

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Statement of Cash Flows

	01-01-2010 31-12-2010 USD	notes	01-01-2009 31-12-2009 USD
Cash flow from investing activities			
Income from investments	302.277	8	200.687
Expenses	-733.370	9	-744.519
Result of operations	-431.093		-543.832
Purchases of investments	-2.665.932	4	-3.260.102
Sales of investments	4.707.407	4	7.313.713
	2.041.475		4.053.611
Change in short term receivables	-		27.791
Change in current liabilities	27.436	6	32.291
	27.436		60.082
Cash flow from investing activities	1.637.818		3.569.861
Cash flow from financing activities			
Received on shares issued	706.828	7	1.010.742
Paid on shares purchased	-1.690.574	7	-4.596.278
Cash flow from financing activities	-983.746		-3.585.536
Other exchange differences	-7.175		-10.234
Change in cash and cash equivalents	646.897		-25.909
Cash and cash equivalents as at 1 January	128.995		154.904
Cash and cash equivalents as at 31 December	775.892		128.995

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Notes

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

This annual report is prepared in accordance with Part 9 Book 2 of the Dutch Civil Code 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 Supervision.

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 profit and loss account. Income and expenses in foreign currencies are translated at the exchange rate as per transaction date.

Rates of exchange as at 31 December 2010, equivalent of 1 US dollar:			
Euro	0,74541	Srilanka Rupee	110,94503
Indian Rupee	44,71499	Bangladesh Taka	70,47500

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.

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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, limit 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 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 Financial Crisis

Almost uniquely amongst financial markets, the Indian financial sector was insulated against any consequences of the recent financial crisis by the tight control exercised by the RBI. Bank balance sheets were free of toxic assets and capital ratios were maintained. Ratios of non-performing assets remained within historic norms.

3.10 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

	31-12-2010 USD	31-12-2009 USD
4. Investments		
4.1 Statement of changes in securities		
Position as at 1 January	**20.125.806**	12.861.648
Purchases	**2.665.932**	3.260.102
Sales	**-4.707.407**	-7.313.713
Unrealised price gains/losses on investments	**3.488.913**	8.441.183
Unrealised currency gains/losses on investments	**740.121**	812.733
Realised price gains/losses on investments	**-134.222**	2.356.285
Realised currency gains/losses on investments	**-328.082**	-292.432
Position as at 31 December	**21.851.061**	20.125.806
Historical cost	**9.112.208**	11.615.987

The portfolio comprises of shares, mainly listed.
The total unlisted shares held directly by the Fund amounted to USD 156,463 (31 December 2009 : USD 144,251).
The portfolio breakdown as at 31 December 2010 is specified on pages 21 to 22 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 2010 are : USD 33,426 (2009 : USD 31,061).

5. Cash at banks

This includes immediately due demand deposits at banks.

6. Current liabilities (due within one year)

6.1 Due to redemptions

These include the debts in respect of the redemptions of shares Himalayan still unsettled as at the balance sheet date.

6.2 Other liabilities, accruals and deferred income

Payable investment advisory fee	**84.811**	75.990
Payable administration fee	**5.757**	5.978
Payable auditors fee	**36.499**	34.147
Other expenses payable	**33.019**	38.541
	160.086	154.656

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7. Shareholders' equity

The authorised share capital of the Fund is EUR 60,000 (31 December 2009: EUR 60,000) and consists of:

- Ordinary shares of EUR 0.01 each 5.000.100
- Priority shares of EUR 0.20 each 49.995

7.1 Issued capital	number	**31-12-2010 USD**	31-12-2009 USD
Ordinary shares:			
Position as at 1 January	410.804	**5.894**	6.978
Sold	14.048	**140**	274
Purchased	-32.665	**-327**	-1.186
Revaluation		**-447**	-172
Position as at 31 December	392.187	**5.260**	5.894
Priority shares:			
Position as at 1 January	49.995	**14.230**	695
Sold	-	**-**	14.230
Revaluation		**-**	-695
Position as at 31 December	49.995	**14.230**	14.230
Total issued capital		**19.490**	20.124

As at 31 December 2010 the issued and subscribed share capital amounts to:		**EUR**	EUR
Ordinary shares, par value EUR 0.01 (31 December 2009: EUR 0.01)	4.450.005	**44.500**	44.500
Priority shares, par value EUR 0.20 (31 December 2009: EUR 0.20)	49.995	**9.999**	9.999
		54.499	54.499

The Fund became open-ended on 7 April 2000. As at 31 December 2010 a total of 4,057,818 Ordinary Shares have been purchased, meaning that 392,187 Ordinary Shares are still outstanding as at 31 December 2010. Ordinary Shares purchased by the Fund are directly charged against capital and share premium.

7.2 Share premium	**USD**	USD
Position as at 1 January	**25.639.923**	29.237.910
Received on shares sold	**706.688**	996.238
Paid on shares purchased	**-1.690.247**	-4.595.092
Revaluation of outstanding capital	**447**	867
Position as at 31 December	**24.656.811**	25.639.923

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	31-12-2010 USD	31-12-2009 USD
7.3 General reserve		
Position as at 1 January	**-16.323.605**	7.744.537
Transferred from undistributed result	**10.763.703**	-24.068.142
Position as at 31 December	**-5.559.902**	-16.323.605
7.4 Undistributed result		
Position as at 1 January	**10.763.703**	-24.068.142
Transferred to/from general reserve	**-10.763.703**	24.068.142
Total investment result	**3.328.462**	10.763.703
Position as at 31 December	**3.328.462**	10.763.703

Three years Himalayan Fund N.V.

	31-12-2010	31-12-2009	31-12-2008
Net Asset Value (USD x 1,000)			
Net Asset Value according to balance sheet	**22.445**	20.100	12.922
Less: value priority shares	**14**	14	1
	22.431	20.086	12.921
Number of Ordinary Shares outstanding	**392.187**	410.804	502.049
Per Ordinary Share			
Net Asset Value share (USD)	**57,19**	48,89	25,74

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Notes to the Profit & Loss account

8. Income from investments

8.1 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.

8.2 Interest income

Most of this amount was received on outstanding cash balances.

8.3 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 purchase and sale of Ordinary Shares and are booked as an income for the Fund.

9. Expenses	**01-01-2010 31-12-2010 USD**	01-01-2009 31-12-2009 USD
9.1 Investment advisory fees		
Advisory fee	**325.727**	261.157
Custody Fee and Charges	**15.266**	12.023
	340.993	273.180

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.

9.2 Other expenses		
Administration Fees and Charges	**70.885**	116.115
Company Secretarial and Domiciliation Fees	**39.360**	41.063
Bank Expenses	**10.183**	17.261
Regulatory Fees and Charges	**19.366**	9.911
Legal Expenses	**7.359**	14.708
Listing Expenses	**55.248**	20.562
Audit Fees	**34.168**	48.699
Fiscal Advisory Fees	**19.660**	7.663
Advertising and Promotion	**22.473**	57.011
Directors Fees	**62.415**	62.415
Board Expenses	**47.983**	50.931
Depreciation and Amortization	**-**	25.000
Miscellaneous	**3.277**	-
	392.377	471.339

Audit fees include the audit of the financial statements by the external auditor Deloitte amounting to USD 31,563 (2009: USD 34,120)

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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: 3.42 % (2009: 4.52 %).

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: 23.23 % (2009: 17.61 %).

* - The average Net Asset Value of the Company for reporting period is calculated as the sum of the Net Asset Value as per 31 December 2009, 31 March 2010, 30 June 2010, 30 September 2010 and 31 December 2010 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
		USD	USD
Management fee (1)		325.727	325.727
Administration fee (2)	€ 50.000,00	66.309	70.885
Secretarial and Domiciliation fees (3)	€ 29.750,00	39.454	39.360
Costs for the Board (4)		100.000	110.398

*- As per new Prospectus of 7 June 2010.

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 a lower fee has been renegotiated. Fastnet NL is now paid a fixed fee of EUR 50,000 per year for administration services.
3) 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.
4) The Prospectus states that the remuneration of the Directors is subject to a limit of USD 100,000 in aggregate per year. In 2010 the remuneration of the Directors was USD 62,415 (inclusive VAT) in total so far. Directors fees per person are as follows: Ian McEvatt*: USD 10,000 (2009: USD 10,000); Joe Tabbers (resigned as per 11 June 2009): (2009: USD 5,950); Dwight Makins USD18,500 (2009: USD 18,500); Robert Meijer USD: 22,015 (2009: USD 22,015). Karin van der Ploeg* (appointed as per 11 June 2009): USD 11,900 (2009: USD 5,950). Board expenses (exclusive remuneration of the Directors) amount to USD 47,983 in 2010.

* 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, March 18, 2011

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

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Portfolio breakdown

As per December 31, 2010

India		Market value USD	percentage of total Net Asset Value
Consumer goods			
11.250	Nestle India	954.848	
100.000	Pidilite Industries	340.266	
		1.295.114	5,77%
Capital goods			
27.000	Bharat Heavy Electrical	1.403.107	
90.000	Crompton Greaves	623.851	
34.000	Larsen & Toubro	1.504.965	
		3.531.923	15,74%
Financials			
20.000	HDFC Bank	1.049.469	
35.000	Housing Development Financing Corporation	570.105	
14.000	State Bank of India	880.389	
95.000	Power Finance	659.253	
3	Canbank mutual fund *	156.463	
		3.315.679	14,77%
Metals			
90.000	Jindal Steel & Power	1.433.177	
49.005	Tata Iron & Steel	745.678	
		2.178.855	9,71%
Oil & Gas			
110.000	Indraprastha Gas	841.206	
50.000	Oil & Natural Gas	1.440.456	
86.000	Reliance Industries	2.036.189	
70.000	Tata Chemicals	616.639	
		4.934.490	21,99%
Power			
40.000	Tata Power	1.221.559	
		1.221.559	5,44%
Technology			
22.000	Infosys Technologies	1.693.850	
		1.693.850	7,55%

* Unlisted securities

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Telecommunication			
116.690	Bharti Airtel	936.339	
		936.339	4,17%
Health care			
170.000	Fdc	425.998	
50.000	Opto Circuits	300.123	
		726.121	3,24%
Other industry			
60.000	E I D Parry	371.822	
350.000	Jain Irrigation Systems	1.645.309	
		2.017.131	8,99%
Total India		**21.851.061**	**97,35%**

Total Investments	21.851.061	97,35%
Other net assets	593.800	2,65%
Total Net Asset Value	**22.444.861**	**100,00%**

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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 2010 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 reserve and that no dividend will be distributed.

Independent 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.

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Related to auditor's report
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Deloitte.

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Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2010 of Himalayan Fund N.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

Deloitte.

Opinion with respect to the financial statements

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 2010, 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 Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 18, 2011

Deloitte Accountants B.V.

already signed: W.H.E. van Ommeren