

# **Hermes Linder Fund SICAV PLC**

## **Report and financial statements**

31 August 2010

## Contents

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	<i>Page</i>
Directors, officer and other information	<i>1 - 2</i>
Directors' report	<i>3 - 4</i>
Statement of directors' responsibilities	<i>5</i>
Statement of comprehensive income	<i>6</i>
Statement of financial position	<i>7</i>
Statement of changes in net assets attributable to holders of redeemable shares	<i>8</i>
Statement of cash flows	<i>9</i>
Notes to the financial statements	<i>10 - 25</i>
Salient statistics and information about the sub-funds	<i>26</i>
Independent auditor's report	<i>27 - 28</i>

# Hermes Linder Fund SICAV PLC

## Directors, officer and other information

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<i>Directors:</i>	Dr. Frank Chetcuti Dimech Mr. Tom Anastasi Pace Mr. Claudio Palladini
<i>Secretary:</i>	Valletta Fund Services Limited, Suite 2, Level 3, TG Complex, Brewery Street, Mriehel, Malta.
<i>Registered office:</i>	Suite 2, Level 3, TG Complex, Brewery Street, Mriehel, Malta.
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	SV 100
<i>Auditor:</i>	Deloitte, Deloitte Place, Mriehel Bypass, Mriehel, Malta.
<i>Investment manager:</i>	Praude Asset Management Limited, TG Complex, Suite 2, Level 3, Brewery Street, Mriehel, Malta.
<i>Prime broker and custodian:</i>	UniCredit (Suisse) Bank S.A, Via Emilio Bossi 1, 6901 Lugano, Switzerland.

# Hermes Linder Fund SICAV PLC

## Directors, officer and other information (continued)

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*Administrator and registrar:* Valletta Fund Services Limited,  
Suite 2, Level 3,  
TG Complex,  
Brewery Street,  
Mriehel,  
Malta.

*Legal advisors:* CDF Advocates,  
13/23 Vincenti Buildings,  
Strait Street,  
Valletta,  
Malta.

# Hermes Linder Fund SICAV PLC

## Directors' report

Period ended 31 August 2010

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The directors present their report and the audited financial statements of the company for the period ended 31 August 2010.

### Company domiciliation

The company was incorporated on the 27 July 2000 in the British Virgin Islands as Hermes Global Fund Limited - registration number 398994. On the 25 March 2009 a resolution was adopted to re-domicile the company from the British Virgin Islands to Malta. The re-domiciliation to Malta took effect from 25 March 2009 and accounting records were maintained in Malta as from that date.

These financial statements are drawn up from the date of re-domiciliation to Malta to 31 August 2010. Therefore, the financial statements cover a period of 17 months from 25 March 2009 to 31 August 2010. No financial statements were available for periods prior to 25 March 2009 and thus no comparative information was drawn up.

### Principal activities

The principal activity of the company is to achieve its investment objectives as defined in its offering memorandum.

### Performance review

In the period under review the company attracted *EUR12,178,139* from investors with redemptions amounting to *EUR3,863,611*. During the period the company had constituted one sub-fund, Hermes Linder Fund.

The sub-fund registered a gain of *EUR16,434,183*. Net assets attributable to holders of redeemable shares at the end of the period amounted to *EUR57,339,951*.

### Results and distribution

The results for the period ended 31 August 2010 are shown in the statement of comprehensive income on page six. No dividend is paid out as the entire net income of the sub-fund is accumulated within the sub-fund and reflected in the net asset value.

### Post-balance sheet events

Pursuant to an extraordinary resolution signed by the founder shareholders of the company on the 30 August 2010, Hermes Linder Fund SICAV PLC was converted from a Professional Investor Fund targeting Experienced Investors to a qualifying 'Maltese UCITS' scheme in terms of the Council directive for Undertakings for Collective Investment in Transferable Securities 85/611/EEC (as amended) and Management Companies Regulations, 2004 (as amended) with effect from the 1 September 2010.

### Directors

The directors who served during the period were:

Dr. Frank Chetcuti Dimech

Mr. Tom Anastasi Pace

Mr. Claudio Palladini

In accordance with the company's articles of association the directors are to remain in office.

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# Hermes Linder Fund SICAV PLC

## Directors' report

Period ended 31 August 2010

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### Auditors

Following an internal restructuring of the Deloitte Malta firm a resolution to appoint Deloitte Audit Limited, a company forming part of the same firm in Malta, will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on 24 January 2011 by:



*Dr. Frank Chetcuti Dimech*  
Director



*Mr. Tom Anastasi Pace*  
Director

# **Hermes Linder Fund SICAV PLC**

## **Statement of directors' responsibilities**

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The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company at the end of each financial period and of the profit or loss of the company for the period then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Hermes Linder Fund SICAV PLC

## Statement of comprehensive income

Period ended 31 August 2010

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	<b>Hermes Linder Fund 25 March 2009 to 31 August 2010 EUR</b>
<b>Investment income</b>	
Gross dividend income	2,053,682
Interest income	733,914
Net gain on financial instruments at fair value through profit or loss	15,371,405
Other income	20,652
	<hr/>
<b>Net investment income</b>	<b>18,179,653</b>
	<hr/>
Administrator fees	82,183
Audit fee	8,260
Custodian fees	51,603
Directors' fees	14,095
Formation expenses	6,189
Legal fees	7,271
Management fees	686,831
Other expenses	29,310
Transaction costs	326,399
	<hr/>
<b>Operating expenses before finance costs</b>	<b>1,212,141</b>
	<hr/>
<b>Net results from operations before finance costs</b>	<b>16,967,512</b>
Interest expense	(78,915)
	<hr/>
<b>Change in net assets attributable to holders of redeemable shares before withholding tax</b>	<b>16,888,597</b>
Withholding tax paid on behalf of holders of redeemable shares	(454,414)
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<b>Change in net assets attributable to holders of redeemable shares</b>	<b>16,434,183</b>
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# Hermes Linder Fund SICAV PLC

## Statement of financial position

31 August 2010

	<i>Notes</i>	<b>Hermes Linder Fund 2010 EUR</b>
<b>Assets</b>		
Financial assets at fair value through profit or loss	8	51,795,111
Accrued income	7	143,784
Trade and other receivables	6	1,324,964
Cash and cash equivalents	11	5,870,917
<b>Total assets</b>		<b>59,134,776</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	8	274,352
Trade and other payables	9	1,520,473
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>1,794,825</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>57,339,951</b>

These financial statements were approved by the board of directors, authorised for issue on 24 January 2011 and signed on its behalf by:



**Dr. Frank Chetcuti Dimech**  
*Director*



**Mr. Tom Anastasi Pace**  
*Director*

# Hermes Linder Fund SICAV PLC

## Statement of changes in net assets attributable to holders of redeemable shares

Period ended 31 August 2010

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	<b>Hermes Linder Fund 25 March 2009 to 31 August 2010 EUR</b>
At the beginning of the period	32,591,240
Amounts received on creation of shares	12,178,139
Redemption of shares	(3,863,611)
Change in net assets attributable to holders of redeemable shares	<b>16,434,183</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b><u>57,339,951</u></b>

# Hermes Linder Fund SICAV PLC

## Statement of cash flows

Period ended 31 August 2010

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	Hermes Linder Fund 25 March 2009 to 31 August 2010 EUR
<b>Cash flows from operating activities</b>	
Bond and bank interest received	565,686
Dividend income received	1,918,964
Operating expenses paid	(859,693)
Income taxes paid	(454,414)
<i>Net cash flows from operating activities</i>	<u>1,170,543</u>
<b>Cash flows from investing activities</b>	
Payments to acquire financial instruments at fair value through profit or loss	(57,123,495)
Receipts from disposal of financial instruments at fair value through profit or loss	51,890,404
<i>Net cash flows from investing activities</i>	<u>(5,233,091)</u>
<b>Cash flows from financing activities</b>	
Amounts received on creation of shares	12,178,139
Amounts paid on redemption of shares	(3,863,611)
<i>Net cash flows from financing activities</i>	<u>8,314,528</u>
<b>Net movement in cash and cash equivalents</b>	4,251,980
<b>Cash and cash equivalents at the beginning of the period</b>	<u>1,618,937</u>
<b>Cash and cash equivalents at the end of the period (note 11)</b>	<u><u>5,870,917</u></u>

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# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 1. Basis of preparation

Hermes Linder Fund SICAV plc (“the Company”/the Fund) has constituted one sub-fund which is a segregated patrimony. These financial statements comprise the financial statements of the company which include the following sub-fund licensed at 31 August 2010: Hermes Linder Fund (“the sub-fund”).

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at their fair values and in accordance with International Financial Reporting Standards as adopted by the EU, except that comparative information, as required by International Accounting Standard 1 – Presentation of Financial Statements, has not been presented. The significant accounting policies adopted are set out below.

The company was incorporated on the 27 July 2000 in the British Virgin Islands as Hermes Global Fund Limited - registration number 398994. On the 25 March 2009 a resolution was adopted to re-domicile the company from the British Virgin Islands to Malta. The re-domiciliation to Malta took effect from 25 March 2009 and accounting records were maintained in Malta as from that date.

These financial statements are drawn up from the date of re-domiciliation to Malta to 31 August 2010. Therefore, the financial statements cover a period of 17 months from 25 March 2009 to 31 August 2010. No financial statements were available for periods prior to 25 March 2009 and thus no comparative information was drawn up.

### 2. Significant accounting policies

#### *Financial instruments*

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

(i) Trade receivables

Trade receivables are recognised at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

(ii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities as at fair value through profit or loss are those that are held for trading purposes or those that are so designated by the company upon initial recognition. The company uses this designation when doing so results in more relevant information because a group of financial assets, liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel or when a contract contains one or more embedded derivatives and the entity elects to designate the entire hybrid contract as a financial asset or liability as at fair value through profit or loss. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value from those quoted market prices.

Financial instruments which are unquoted or otherwise not traded in an active market are valued using a methodology designed to assess the value after acquisition, having regard to market terms at the measurement date, including interest rates and liquidity and other factors, including life expectancy. The basis of valuation on each valuation date will be determined on the most appropriate basis to use, having regard to a) any relevant information generally available in the market at the time; and b) any other relevant information.

Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise. Where applicable, dividend income and interest income on financial assets at fair value through profit or loss is disclosed separately in profit or loss. Fair value gains and losses are recognised within net gain on financial instruments at fair value through profit or loss.

- Derivative financial instruments

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated as effective hedging instruments. During the period under review, the company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### (ii) Financial assets and liabilities at fair value through profit or loss (continued)

- Derivative financial instruments (continued)

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the statement of comprehensive income.

A futures contract provides an investor the opportunity to buy or sell an asset or security at a specified price and settlement date in the future. To buy or sell a futures contract is a commitment to buy or sell the underlying asset or security at the specified price and settlement date. Investing in futures contracts carries high exposure to risk. Because of the leverage associated with trading futures, a relatively small movement in the market price of traded instruments may result in a disproportionately large profit or loss.

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option), the other party a specified underlying instrument at a specified price on or before a specified date. The sub-fund/company enters into exchange traded and over the counter option contracts to meet the requirement of its risk management and trading activities.

- Convertible bond

The convertible bond represents a hybrid contract with an embedded derivative. The company does not account for the embedded derivative separately and designates the entire instrument as at fair value through profit or loss upon initial recognition and are subsequently remeasured to their fair value at the end of each reporting period. The company designates hybrid contracts as a financial asset or financial liability at fair value through profit or loss when such contracts contain one or more embedded derivatives and when it is permitted to do so.

Structured products which are unquoted or otherwise not traded in an active market, are valued by the issuer using a methodology designed to assess the value after acquisition, having regard to market terms at the measurement date, including interest rates and liquidity and other factors, including life expectancy. The basis of valuation on each valuation date will be determined on the most appropriate basis to use, having regard to a) any relevant information generally available in the market at the time; and b) any other relevant information.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

(iii) Trade payables

Trade payables are stated at their nominal value unless the effect of discounting is material.

(iv) Realised and unrealised gains and losses

Investment transactions are recorded on a trade date basis. Realised gains or losses on investments are calculated on a weighted average cost and are disclosed within net gain on financial assets at fair value through profit or loss in the statement of comprehensive income.

(v) Net assets attributable to shareholders

The liability to participating shareholders is presented in the statements of financial position as "Net assets attributable to holders of redeemable shares" and is determined based on the residual assets of the company after deducting all other liabilities.

#### *Revenue recognition*

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(ii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 2. Significant accounting policies (continued)

#### *Taxation*

The taxation of collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in accordance with the Collective Investment Schemes (Investment Income) Regulations, 2001. Hermes Linder Fund SICAV plc qualifies as a non-prescribed fund in terms of these regulations on the basis that the value of the fund's assets situated in Malta are less than eighty-five per cent of the value of its total assets.

Accordingly the income and capital gains of Hermes Linder Fund SICAV plc are not subject to Malta income tax pursuant to the provisions of the Income Tax Act (Chap. 123).

Foreign tax withheld on dividend income is accounted for when the company recognises the related dividend in the statement of comprehensive income.

#### *Currency translation*

The financial statements of the company are presented in its functional currency the Euro, which is the currency in which the company's share capital is denominated, in accordance with the provisions of article 187 of the Companies Act (Chap. 386). Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at period-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt within the statement of comprehensive income.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and fiduciary deposits.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements. At the reporting date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, most have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.



# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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#### **4. Initial application of an International Financial Reporting Standard and International Financial Reporting Standards in issue but not yet effective**

##### *Initial application of an International Financial Reporting Standard*

In the current period, the company has applied the following:

International Accounting Standard 1 (as revised in 2007) *Presentation of Financial Statements*. The revised standard is applicable for annual periods beginning on or after 1 January 2009, with earlier application being permitted. IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements, together with certain additional presentation and disclosure requirements.

The March 2009 amendments to IFRS 7, *Improving Disclosures about Financial Instruments*. The amendments, which are applicable for annual periods beginning on or after 1 January 2009, with earlier application being permitted, require enhanced disclosures about fair value measurements and liquidity risk.

Amendments to IAS 32, *Financial Instruments - Presentation* in relation to puttable financial instruments and obligations arising on liquidation. The amended standard requires entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. This amendment has not affected the classification of the company's redeemable shares.

##### *International Financial Reporting Standards in issue but not yet effective*

The directors anticipate that the adoption of International Financial Reporting Standards, that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

The company is assessing the potential impact, if any, of IFRS 9 *Financial Instruments* in connection with the classification and measurement of its financial assets and financial liabilities. This Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard has not yet been endorsed by the EU at the date of authorisation of these financial statements.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 5. Fees

(i) Management fees

The manager shall receive, for the performance of its services under the Management Agreement, 1% per annum of the Net Asset Value ("NAV") of the sub-fund.

(ii) Performance fees

The manager shall receive a performance fee of 15% per annum on a High Watermark basis. No performance fees were charged during the period.

(iii) Administrator fees

The Administrator, Valletta Fund Services Limited, received fees of 0.10% of the NAV for the first twelve months commencing on the date of re-domiciliation to Malta.

Following such date, the company shall pay the applicable fees as follows:

- 0.20% per annum of the NAV of the sub-fund when the NAV amounts to less than EUR 20 million, or its equivalent;
- 0.175% per annum of the NAV of the sub-fund when the NAV amounts to between EUR 20 million and EUR 40 million, or its equivalent;
- 0.15% per annum of the NAV of the sub-fund when the NAV amounts to between EUR 40 million and EUR 75 million, or its equivalent;
- 0.125% per annum of the NAV of the sub-fund when the NAV amounts to between EUR 75 million and EUR 100 million, or its equivalent.
- 0.1% per annum of the NAV of the sub-fund when the NAV amounts to greater than EUR 100 million.

A minimum fee of *EUR25,000* per annum shall apply.

(iv) Custodian fees

The Custodians, UniCredit Suisse Bank, receive, for safe keeping of the assets of the sub-fund and other services, a custody fee of 0.075% based on the NAV of the sub-fund before accruals for any management and performance fees which may be due by the company in respect of the sub-fund. A minimum of *EUR25,000* per annum shall apply.

### 6. Trade and other receivables

	<b>2010 EUR</b>
Amounts receivable on securities sold	<b>1,324,964</b>

### 7. Accrued income

	<b>2010 EUR</b>
Accrued interest	<b>116,510</b>
Dividends receivable	<b>27,274</b>
	<b>143,784</b>

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# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

### 8. Financial assets/(liabilities) at fair value through profit or loss

#### Financial assets at fair value through profit or loss

	2010 EUR	% of net assets	% of total assets
<b>Fair value</b>			
Financial assets classified as held for trading			
- Equity instruments	46,143,725	80.47%	78.03%
- Bonds	5,077,700	8.86%	8.59%
- Convertible bond	506,962	0.88%	0.86%
- Collective investment schemes	16,349	0.03%	0.03%
- Derivative instruments	50,375	0.09%	0.09%
	<u>51,795,111</u>	<u>90.33%</u>	<u>87.59%</u>

#### Financial liabilities at fair value through profit or loss

	2010 EUR	% of net assets	% of total liabilities
<b>Fair value</b>			
Financial liabilities classified as held for trading			
- Derivative instruments	274,352	-0.48%	15.29%
	<u>274,352</u>	<u>-0.48%</u>	<u>15.29%</u>

#### Derivative financial assets

	2010 EUR
<b>Fair value</b>	
Financial assets classified as held for trading	
Fair value of future contracts	50,375
	<u>50,375</u>

#### Derivative financial liabilities

	2010 EUR
<b>Fair value</b>	
Financial liabilities classified as held for trading	
Fair value of forward exchange contracts	(63,454)
Fair value of option contracts	(210,898)
	<u>(274,352)</u>

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

### 8. Financial assets/(liabilities) at fair value through profit or loss (continued)

2010

<b>Maturity</b>	<b>Details</b>	<b>Fair value at period-end</b>
September 2010	Purchase of 25 IDEM-FTSE MIB futures	<u>50,375</u>

2010

<b>Maturity</b>	<b>Notional Value</b>	<b>Details</b>	<b>Fair value at period-end</b>
16 September 2010	300,000	Sell AUD/ Buy EUR	560
16 September 2010	5,200,000	Sell CAD/ Buy EUR	(21,844)
16 September 2010	6,870,000	Sell CHF/ Buy EUR	60,183
16 September 2010	11,000,000	Sell HKD/ Buy EUR	364
22 September 2010	15,850,000	Sell ILS/ Buy EUR	25,175
16 September 2010	500,000	Sell USD/ Buy EUR	62
16 September 2010	295,000	Sell USD/ Buy EUR	(1,046)
			<u>(63,454)</u>

2010

<b>Expiration</b>	<b>Details</b>	<b>Fair value at period-end</b>
September 2010	Purchase of 141 Baloise options	(16,303)
September 2010	Purchase of 141 Baloise options	(7,112)
September 2010	Purchase of 300 Canadian options	(20,065)
September 2010	Sale of 300 Canadian options	(25,966)
September 2010	Sale of 72 Bilfinger options	(5,472)
September 2010	Sale of 55 Bilfinger options	(6,490)
September 2010	Purchase of 91 France Tel options	(6,006)
September 2010	Purchase of 2499 KPN options	(123,484)
		<u>(210,898)</u>

Further details on the other financial instruments are provided in note 14.

### 9. Trade and other payables

	<b>2010 EUR</b>
Accruals	91,626
Purchases for settlement	1,428,847
	<u>1,520,473</u>

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 10. Share capital

The initial share capital of the company is one thousand US dollars, with no nominal value, representing 1000 founder shares issued at an initial price of USD1.

The share capital of the company shall have no nominal value and shall be equal to the value, for the time being, of the issued share capital of the company.

The company may issue up to a maximum of five billion shares having no nominal value in one or more classes of shares having such rights as may set out in the terms of issue of such shares.

Each class of shares in the company, except for the founder shares, shall constitute a separate fund.

Founder shares shall be the only class of shares in the company carrying voting rights. All other classes of shares shall not, unless the terms under which they are issued provide otherwise, be entitled to vote.

The Founder shares do not carry a right to participate in any dividends or other distributions of the company or in the assets of the company on a winding up (other than the return of the paid up capital after payment of all amounts due to the Investor Shares).

The Investor Shares of each sub-fund participate in the assets of the respective sub-fund and in any dividends, and distributions of the company relating to the respective sub-fund, upon liquidation.

#### Redeemable shares

	<b>Number of shares</b>
Balance as at 25 March 2009	<b>18,682.32</b>
Issue of redeemable shares during the period	<b>5,331.18</b>
Redemption of redeemable shares during the period	<b>(1,725.00)</b>
<b>Balance as at 31 August 2010</b>	<b><u>22,288.50</u></b>

The amounts received/paid on creation/redemption of shares are disclosed in the statement of changes in net assets attributable to holders of redeemable shares.

### 11. Cash and cash equivalents

	<b>2010 EUR</b>
Cash and cash equivalents in the statement of cash flows	<b><u>5,870,917</u></b>

Cash at bank earns interest at floating rates based on bank deposit rates. Included in cash and cash equivalents is a fiduciaries (call) 100% loan amounting to *EUR4,750,000*.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 12. Related party disclosures

During the course of the period, the company entered into transactions with key management personnel as set out below:

Mr. Claudio Palladini is a director of the company and managing director of Carthesio SA – the previous investment manager. Mr. Tom Anastasi Pace is a director of the company and of Praude Asset Management Ltd – the appointed investment manager as from April 2010. During the course of the period under review, management fees charged to the company by the investment managers amounted to *EUR686,831*.

Mr. Tom Anastasi Pace is a director of the company and director of the newly appointed investment manager – Praude Asset Management Limited. The remuneration paid to Mr. Tom Anastasi Pace for these services amounted to *EUR6,264*.

Dr. Frank Chetcuti Dimech is a director of the company and director, compliance officer and money laundering reporting officer of the newly appointed investment manager – Praude Asset Management Limited. The remuneration paid to Dr. Frank Chetcuti Dimech for these services amounted to *EUR7,831*.

### 13. Fair values of financial assets and financial liabilities

At 31 August 2010 the fair values of listed investments and debt instruments that are measured at fair value are based on quoted prices in an active market at the end of the reporting period. The fair values of derivative contracts are valued by reference to the price at which a new contract of the same size and maturity could be undertaken at valuation date. The fair values of other financial assets and financial liabilities are not materially different from their carrying amounts.

The company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 13. Fair values of financial assets and financial liabilities (continued)

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the company. The company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

At the end of the reporting period, all the company's investments qualify as Level 1 measurements, except for the convertible bond which had a period end value of *Eur506,962* which is classified within Level 2.

### 14. Financial risk management

#### *Risk management*

Where possible, the sub-fund aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

The activities of the sub-fund expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

#### *Market risk*

The sub-fund trades in financial instruments, taking positions in traded instruments including derivatives. All securities present a risk of loss of capital. The sub-fund moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The sub-fund's overall market positions are monitored on a regular basis by the investment manager.

The sub-fund's exposure to the different types of investments is summarised in note 8 to the financial statements.

At the period-end, the sub-fund's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements, all of which are covered below.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 14. Financial risk management (continued)

#### *Price risk*

The sub-funds' equity, debt instruments, collective investment schemes and trading derivative financial instruments are susceptible to price risk arising from uncertainties about future prices of the instruments.

Price risk is mitigated by the sub-fund's investment manager by constructing a diversified portfolio of instruments traded on various markets. In addition, price risk may be hedged using derivative financial instruments such as forwards, futures and options. The sub-fund did not use derivative financial instruments for speculative purposes and had not designated any of its derivative financial instruments in a hedging relationship for accounting purposes.

As a material element of the sub-fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market price will directly affect net investment income.

The following is an analysis of the sub-fund's industry diversification as at the reporting date:

	<b>2010</b> %
Financial Services Industry	19.25%
Basic materials	16.73%
Industrials	13.84%
Consumer services	11.82%
Telecommunications	11.78%
Consumer goods	10.10%
Other	16.49%

#### *Interest rate risk*

At the statement of financial position date 8.95% of the financial assets of the sub-fund are interest bearing. As a result, the sub-fund is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Except as mentioned above, the financial instruments of the sub-fund are non-interest bearing except for cash at bank which earns interest at floating rates based on bank deposit rates.

Investment in equity instruments and collective investment schemes are not exposed to interest rate risk.

The carrying amounts of the sub-fund's financial instruments carrying a rate of interest at the reporting date are disclosed in the notes to the financial statements.



# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 14. Financial risk management (continued)

#### *Currency risk*

Currency fluctuations between the base currency of the sub-fund, and the currency of the underlying investments of the sub-fund, may adversely affect the portion of the value of investments and the income derived therefrom.

The sub-fund, has 16.66% of its assets denominated in CAD, 16.26% of its assets are denominated in CHF, 6.68% in SGD, 6.25% in ILS, 2.11% in HKD, 0.98% in CNY, 0.75% in USD and 0.41% in AUD.

The sub-fund may hedge currency positions with forward foreign exchange contracts. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant rates and management's reactions to material movements thereto.

Currency risk is monitored by the investment manager of the sub-fund.

#### *Sensitivity analysis*

For financial instruments held or issued, the sub-funds has used sensitivity analysis techniques that measure the change in the fair value of the sub-funds' financial instruments at the reporting date for hypothetical changes in the relevant market risk variables.

The sensitivity of profit or loss due to changes in the relevant risk variables are set out below. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

The estimated change in fair values for changes in exchange rates is based on an instantaneous increase or decrease of 10%, with all other variables remaining constant.

The estimated change in fair values for changes in financial instruments prices, is based on an instantaneous increase or decrease of 10% at the reporting date, with all other variables remaining constant.

The estimated change in fair values for changes in market interest rates are based on an instantaneous increase or decrease of 200 basis points at the reporting date, with all other variables remaining constant.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

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### 14. Financial risk management (continued)

#### *Sensitivity Analysis*

	<b>Profit or loss 2010 EUR</b>
Market interest rates - fair value	+/-111,693
Financial instruments prices	+/-4,616,007
Currency exchange risks	+/-2,607,677

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period-end exposure does not reflect the exposure during the period.

#### *Liquidity risk*

Liquidity risk is the risk that the sub-fund will encounter difficulty in meeting obligations associated with its financial liabilities. The sub-fund's offering documents provide for the creation and cancellation of shares, and are therefore exposed to the liquidity risk of meeting shareholders' redemptions at any time.

The sub-fund is exposed to monthly cash redemptions of redeemable shares with 5 working days notice. All other liabilities are due within less than one.

A significant portion of the sub-fund's assets is maintained as cash and cash equivalents in order to meet unexpected redemptions and other liabilities. In addition the sub-fund's listed securities are considered to be readily realisable as they are listed on recognised Stock Exchanges.

The investments in collective investment schemes may not be readily realisable and their marketability may be restricted, in particular because the underlying funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock ups and redemption fees. The sub-fund's ability to withdraw monies from or invest monies in underlying funds with such restrictions will be limited and such restrictions will limit the sub-fund's flexibility to reallocate such assets among underlying funds. Some of the underlying funds may be or may become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. As a result, the sub-fund may not be able to quickly liquidate its investment in these instruments at an amount close to fair value in order to meet its liquidity requirements. However, the sub-fund's amount of investment in collective investment schemes represent a relatively insignificant portion of the total portfolio and thus the liquidity risk associated with this type of investment is not considered significant to Hermes Linder Fund.

In accordance with the company's policy, the investment manager monitors the sub-fund's liquidity position on a regular basis.

# Hermes Linder Fund SICAV PLC

## Notes to the financial statements

31 August 2010

### 14. Financial risk management (continued)

#### *Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the sub-fund. The company has policies that limit the amount of credit exposure to any single issuer. Accordingly, the investment manager monitors the sub-fund's credit position on a regular basis. Financial assets, which potentially subject the sub-fund to credit risk consist principally of trade and other receivables, cash and cash equivalents and debt instruments.

Trade and other receivables mainly constitute accrued income and preplaced transactions. These receivables are all short-term. Accordingly, the company has no significant credit risk in respect of accounts receivable.

Derivative instruments are entered into with reputable counterparties.

Cash and cash equivalents are held with reputable counterparties.

Credit risk arising on debt instruments is mitigated by investing in rated instruments issued by rated counter parties as shown below:

	<b>Credit rating</b>	<b>Market value 2010</b>	<b>% of net assets</b>
Banca Popolare Italiana 6.74% 2049	Ba2	1,357,500	2.37%
Banco Popolare Societa Cooperativa	Ba3	1,420,200	2.48%
HVB Funding Trust VIII	Ba1	2,300,000	4.01%
		<b>5,077,700</b>	

The remaining bond of *EUR506,962* relates to a convertible bond issued by Sound Global Limited which matures in 2015 and carries a coupon of 6%. No credit rating for such bond is available. Management considers the credit quality of this asset as being acceptable.

#### *Capital risk management*

The sub-fund's capital is represented by redeemable shares with no par value and with no voting rights. They are entitled for payment of a proportionate share based on the sub-fund's net asset value per share on the redemption date.

No restrictions or specific capital requirements on the redemptions of shares exist. The relevant movements are shown in the statement of changes in net assets attributable to holders of redeemable shares. The sub-fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of listed securities where necessary.

# Hermes Linder Fund SICAV PLC

## Salient statistics and information about the sub-fund

Period ended 31 August 2010

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Hermes Linder Fund SICAV PLC is a collective investment scheme with variable share capital under the laws of the Republic of Malta and licensed by the Malta Financial Services Authority under the Investment Services Act (Chap. 370) as a Professional Investor Fund targeting experienced investors with licence number SV/100.

The company, to date, has established one sub-fund – Hermes Linder Fund.

Pursuant to an extraordinary resolution signed by the founder shareholders of the company on the 30 August 2010, Hermes Linder Fund SICAV PLC was converted from a Professional Investor Fund targeting Experienced Investors to a qualifying ‘Maltese UCITS’ scheme in terms of the Council directive for Undertakings for Collective Investment in Transferable Securities 85/611/EEC (as amended) and Management Companies Regulations, 2004 (as amended) with effect from the 1 September 2010.

### Net Asset Value per investor share

The Net Asset Value per share is determined by dividing the net asset value of investor shares by the shares in issue at the statement of financial position date.

	<b>2010</b>
Investor shares in issue as at 31 August 2010	<b>22,288.50</b>
	<b>EUR</b>
Net assets value of investor shares as per statement of financial position	<b>57,339,951</b>
Temporary differences	<b>7,619</b>
Net asset value of investor shares as at official valuation date	<b>57,347,570</b>
Net asset value per investor share as at official valuation date	<b>2,572.97</b>

## **Independent auditor's report** to the members of

### **Hermes Linder Fund SICAV PLC**

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#### **Report on the financial statements**

We have audited the accompanying financial statements of Hermes Linder Fund SICAV PLC set out on pages six to twenty-six, which comprise the statement of financial position as at 31 August 2010, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable shares and statements of cash flows for the period from 25 March 2009 to 31 August 2010, and a summary of significant accounting policies and other explanatory notes.

#### ***Directors' responsibility for the financial statements***

As also described in the statement of directors' responsibilities on page five, the directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control of the company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 qualified audit opinion.

## Independent auditor's report (continued)

to the members of

### Hermes Linder Fund SICAV PLC

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#### *Basis for qualified opinion*

- (i) The company was re-domiciled from the British Virgin Islands to Malta on 25 March 2009. Prior to the date of re-domiciliation to Malta, the company's accounting records were prepared under a financial reporting framework other than International Financial Reporting Standards as adopted by the EU, and the financial statements of the company were not subjected to audit as there were no statutory requirements to do so.

As we were appointed as auditors of the company subsequent to the company's re-domiciliation to Malta, we have been unable to obtain sufficient appropriate audit evidence to enable us to verify whether the company's opening balances, including the opening Net Asset Value, as at 25 March 2009 are properly stated. As a result, we have been unable to determine whether any adjustments might have been necessary on the financial statements of the company in the current period.


- (ii) Due to the reasons described in paragraph (i) above, comparative figures as required by International Accounting Standard 1 - Presentation of Financial Statements have not been presented in these financial statements.

#### *Qualified opinion*

Except for the possible effects of the matter described in paragraph (i) and the failure to present comparative figures as described in paragraph (ii) above, the financial statements give a true and fair view of the financial position of the company as of 31 August 2010 and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Chap. 386).

#### **Report on legal and other regulatory requirements**

In respect of the limitation on the scope of our work as referred to in paragraph (ii) above, we have been unable to obtain all the information and explanations that we considered necessary for the purpose of our audit.

  
Sarah Curmi as Principal  
In the name and on behalf of,

**DELOITTE**  
**Registered auditor**

24 January 2011

## Custodian's report

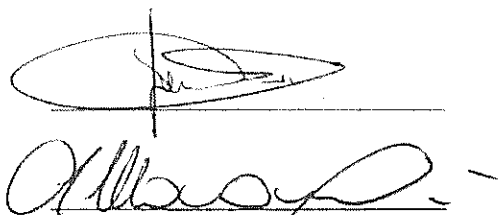
to the members of

## Hermes Linder Fund SICAV PLC

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We, Axion Swiss Bank SA (formerly UniCredit (Suisse) Bank S.A.) as Custodian to Hermes Linder Fund SICAV PLC ("the Company") hereby confirm that, having enquired into the conduct of the Manager and of the Company during the period 25 March 2009 to 31 August 2010, it is our opinion that during this period, the Company has been managed:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by its Memorandum and Articles of Association, the Prospectus and by the Malta Financial Services Authority; and
- (ii) otherwise in accordance with the provisions of its Memorandum and Articles of Association, the Prospectus and its licence conditions.



Axion Swiss Bank SA,  
Via Emilio Bossi 1,  
6901 Lugano,  
Switzerland.

Lugano, 18. gen. 2011