

**M.F.S.A.**

**HERMES LINDER FUND  
SICAV PLC**

**SV 100**

**Report and financial statements**

31 August 2011

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# HERMES LINDER FUND SICAV PLC

## Directors, officers 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, TG Complex, Suite 2, Level 3, Brewery Street, Mriehel, Malta.
<i>Registered office:</i>	TG Complex, Suite 2, Level 3, Brewery Street, Mriehel, Malta.
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	SV 100
<i>Auditor:</i>	Deloitte Audit Limited, 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>Custodian:</i>	Bank of Valletta p.l.c. BOV Centre, Cannon Road, Santa Venera SVR 9030, Malta.

# HERMES LINDER FUND SICAV PLC

## Directors, officers and other information (continued)

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*Prime broker and  
sub-custodian:*

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

*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

Year ended 31 August 2011

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The directors present their report and the audited financial statements of the Company for the year ended 31 August 2011.

### Company Conversion

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.

### Significant changes to the Company Documents

The investment objective of Hermes Linder Fund was to achieve absolute returns. During the year, the sub-fund changed its investment objective which is now to achieve long-term appreciation principally through value investing mainly in the major equity markets. It was reiterated that there is no guarantee that the sub-fund will achieve its investment objectives. Additionally, during the year two new share classes, Class B and Class C were introduced alongside the existing Class A, and the fee structure was revised for Class A shares. Finally the Prospectus was amended with changes in the administration fee, the introduction of provisions on an Italian paying agent and to allow for subscriptions and redemptions by electronic means, in preparation for the passporting of the sub-fund in 2012.

### Principal activities

The principal activity of the Company is to achieve its investment objectives as defined in its prospectus.

### Performance review

In the period under review the Company attracted *EUR13,649,718* (2010 - *EUR12,178,139*) from investors with redemptions amounting to *EUR6,632,885* (2010 - *3,863,611*). During the year the Company had constituted one sub-fund, Hermes Linder Fund.

The Company registered a gain of *EUR3,191,187*. Net assets attributable to holders of redeemable shares at the end of the year amounted to *EUR67,547,881*.

### Results and distribution

The results for the year ended 31 August 2011 are shown in the statement of comprehensive income on page seven. No dividend is paid out as the entire net income of the Company is accumulated within the sub-fund and reflected in the net asset value.

### Standard licence conditions

The Company was not in breach of its licence conditions or subject to regulatory sanctions.

### 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 (continued)

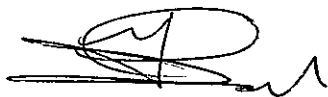
Year ended 31 August 2011

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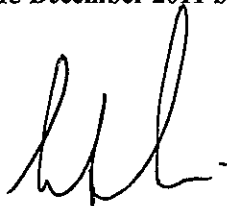
### Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on 15 December 2011 by:



*Dr. Frank Chetcuti Dimech*  
Director



*Mr. Tom Anastasi Pace*  
Director

# HERMES LINDER FUND SICAV PLC

## Statement of directors' responsibilities

Year ended 31 August 2011

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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 year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

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

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 as the directors determine is necessary to enable 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

Year ended 31 August 2011

	Notes	Hermès Linder Fund 1 September 2010 to 31 August 2011 EUR	Hermès Linder Fund 25 March 2009 to 31 August 2010 EUR
<b>Investment income</b>			
Dividend income		1,428,182	2,053,682
Interest income		285,978	733,914
Net gain on financial instruments at fair value through profit or loss		3,305,431	15,371,405
Other income		6,189	20,652
<b>Net investment income</b>		<b>5,025,780</b>	<b>18,179,653</b>
Administrator fees	5	85,249	82,183
Audit fees		8,437	8,260
Custodian fees	5	81,265	51,603
Directors' fees		9,900	14,095
Formation fees		-	6,189
Legal fees		5,094	7,271
Management fees	5	691,543	686,831
Other expenses		45,176	29,310
Transaction costs		422,681	326,399
Performance Fees	5	175,541	-
<b>Operating expenses before finance costs</b>		<b>1,524,886</b>	<b>1,212,141</b>
<b>Net results from operations before finance costs</b>		<b>3,500,894</b>	<b>16,967,512</b>
Interest income		-	(78,915)
<b>Change in net assets attributable to holders of redeemable shares before withholding tax</b>		<b>3,500,894</b>	<b>16,888,597</b>
Withholding tax paid on behalf of holders of redeemable shares		(309,707)	(454,414)
<b>Change in net assets attributable to holders of redeemable shares</b>		<b>3,191,187</b>	<b>16,434,183</b>



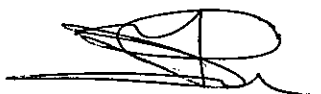
# HERMES LINDER FUND SICAV PLC

## Statement of financial position

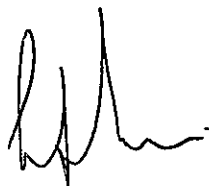
31 August 2011

	Notes	Hermes Linder Fund 1 September 2010 to 31 August 2011 EUR	Hermes Linder Fund 25 March 2009 to 31 August 2010 EUR
<b>Assets</b>			
Financial assets at fair value through profit or loss	6	62,451,399	51,795,111
Accrued income	7	69,261	143,784
Trade and other receivables	8	144,095	1,324,964
Cash and cash equivalents	11	11,394,629	5,870,917
<b>Total assets</b>		<b>74,059,384</b>	<b>59,134,776</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	6	199,682	274,352
Trade and other payables	9	6,311,821	1,520,473
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>6,511,503</b>	<b>1,794,825</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>67,547,881</b>	<b>57,339,951</b>

These financial statements were approved by the board of directors, authorised for issue on 15 December 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

Year ended 31 August 2011

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	Hermes Linder Fund 1 September 2010 to 31 August 2011 EUR	Hermes Linder Fund 25 March 2009 to 31 August 2010 EUR
At the beginning of the year	57,339,951	32,591,240
Amounts received on creation of shares	13,649,718	12,178,139
Redemption of shares	(6,632,885)	(3,863,611)
Change in net asset attributable to holders of redeemable shares	3,191,187	16,434,183
Effect of exchange rate changes	(90)	-
<b>Net asset attributable to holders of redeemable shares</b>	<b>67,547,881</b>	<b>57,339,951</b>

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# HERMES LINDER FUND SICAV PLC

## Statement of cash flows

Year ended 31 August 2011

	Hermes Linder Fund 1 September 2010 to 31 August 2011 EUR	Hermes Linder Fund 25 March 2009 to 31 August 2010 EUR
<b>Cash flows from operating activities</b>		
Bond and bank interest received	389,144	565,686
Dividend income received	1,399,285	1,918,964
Operating expenses paid	(904,920)	(859,693)
Income taxes paid	(309,707)	(454,414)
<i>Net cash flows from operating activities</i>	<u>573,802</u>	<u>1,170,543</u>
<b>Cash flows used in investing activities</b>		
Payment to acquire financial instruments at fair value through profit or loss	(66,650,695)	(57,123,495)
Receipts from disposal of financial instruments at fair value through profit or loss	59,018,862	51,890,404
<i>Net cash flows used in investing activities</i>	<u>(7,631,833)</u>	<u>(5,233,091)</u>
<b>Cash flows from financing activities</b>		
Subscriptions received in advance	5,565,000	-
Amounts received on creation of shares	13,649,718	12,178,139
Amounts paid on redemption of shares	(6,632,885)	(3,863,611)
<i>Net cash flows from financing activities</i>	<u>12,581,833</u>	<u>8,314,528</u>
<b>Net movements in cash and cash equivalents</b>	<b>5,523,802</b>	<b>4,251,980</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,870,917</b>	<b>1,618,937</b>
Effect of exchange rate changes	(90)	-
<b>Cash and cash equivalents at the end of the year (note 11)</b>	<b><u>11,394,629</u></b>	<b><u>5,870,917</u></b>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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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 and is represented by different classes of shares. These financial statements comprise the financial statements of the company which include the following sub-fund licensed at 31 August 2011: Hermes Linder Fund (“the sub-fund”).

The Company was originally re-domiciled to Malta from the British Virgin Islands on 25 March 2009 and registered as a Professional Investor Fund licensed by the Malta Financial Services Authority as a multifund limited liability company with variable share capital targeting experienced investors.

With effect from 1 September 2010, the Company was converted 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).

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. The significant accounting policies adopted are set out below.

### 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 2011

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### (i) Trade and other receivables

Trade and other receivables are classified with assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income 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.

##### (a) 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 year 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 2011

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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)

##### (a) 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 Company enters into exchange traded and over the counter option contracts to meet the requirement of its risk management and trading activities.

##### (b) 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 re-measured 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 2011

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

(iii) Trade and other payables

Trade and other 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. Dividend income relating to exchange traded equity securities is recognised in the statement of comprehensive income on the ex-dividend date.

#### *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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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### 2. Significant accounting policies (continued)

#### *Taxation (continued)*

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*

As allowed by sub-legislation 386.02 of the Companies Act (Investment Companies with Variable Share Capital) Regulations, a Company with sub-funds whose capital is denominated in different currencies may elect to present its financial statements in any one of these currencies. Consequently, the financial statements of the Company are presented in Euro being the currency in which the sub-fund's share capital is denominated.

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 year-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 year.

### 4. International Financial Reporting Standards in issue but not yet effective

The directors are currently evaluating the impact on the financial statements of the SICAV in the period of initial application of the following International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective. Both standards are yet to be adopted by the EU.

#### *Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements*

The IASB introduced enhanced disclosure requirements to *IFRS 7 Financial Instruments* as part of its comprehensive review of off-balance sheet activities.



# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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#### 4. International Financial Reporting Standards in issue but not yet effective (continued)

##### *Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements (continued)*

The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

##### *IFRS 9 – Classification and Measurements of Financial Assets*

IFRS 9 issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities.

IFRS 9 requires all recognised financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Under IFRS 9, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost unless the entity applies the fair value option. All other financial assets, including equity investments are measured at their fair values at the end of subsequent accounting periods. Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2013 with earlier application permitted.

##### *IFRS 13 – Fair value Measurements*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under *IFRS 7 Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Company is considering the implications of these standards and their impact on the Company's financial results and position.

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# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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### 5. Fees

#### (i) Management fees

*Hermes Linder Fund* - The Investment Manager, Praude Asset Management Limited, receives an Investment Management Fee as follows:

Class A Voting Shares: 1% per annum of the Net Asset Value after accruing for any performance fees which may be due by the Company in respect of the Sub-Fund.

Class B Voting Shares: 2% per annum of the Net Asset Value after accruing for any performance fees which may be due by the Company in respect of the Sub-Fund.

Class C Voting Shares: Nil.

#### (ii) Performance fees

*Hermes Linder Fund* - The Investment Manager, Praude Asset management Limited, receives a performance fee calculated on the basis of the Net Asset Value per share as per the audited financial statements of the Sub-fund. The Performance Fee shall be equal to 15% in the case of Class A Voting Investor Shares and 25% in the case of Class C Voting Investor Shares of the amount by which the Net Asset Value per Share (before the deduction of the Performance Fee) has exceeded the NAV Target per Share during the Performance Period, multiplied by the average number of Investor Shares in issue, taken at each valuation point, during that annual accounting period. A performance fee is not charged on Class B Voting Investor Shares.

The NAV Target per Share is equal to the highest of: (i) highest NAV per Share as at the end of any previous accounting period on which a Performance Fee was paid, or (ii) the initial Offer Price.

#### (iii) Administrator fees

*Hermes Linder Fund* - The Administrator, Valletta Fund Services Limited receives a fee which varies between 0.09% and 0.125% per annum of the net asset value of the Fund and is subject to a minimum fee of EUR35,000.

Prior to 22 September 2010, the administration fee varied between 0.1% and 0.25% per annum.

#### (iv) Custodian fees

*Hermes Linder Fund* - The Custodian, Bank of Valletta plc receives a Custody Fee at EUR30,000 per annum. The Sub-Custodian, Axion Swiss Bank, receives a sub-custody fee at 0.075% based on the NAV of the sub-fund subject to a minimum of EUR25,000 per annum.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 6. Financial assets and liabilities at fair value through profit or loss

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

	Hermes Linder Fund 2011 Fair Value EUR	% of net assets	% of total assets
Financial assets classified as held for trading			
- Equity instruments	60,988,175	90.29%	82.35%
- Convertible Bond	487,443	0.72%	0.66%
- Derivative Instruments	975,781	1.44%	1.32%
	<u>62,451,399</u>	<u>92.45%</u>	<u>84.33%</u>

#### Derivative Financial Instruments

	2011 EUR
Financial assets classified as held for trading	
- Fair value of forward exchange contracts	<u>975,781</u>

#### 2011

Maturity	Notional Value	Details	Fair value of forward exchange contracts at year-end
8 September 2011	(17,600,000)	Sell ILS / Buy EUR	107,514
8 September 2011	(12,560,000)	Sell CHF / Buy EUR	717,662
8 September 2011	(10,302,000)	Sell CAD / Buy EUR	112,510
8 September 2011	(8,200,000)	Sell HKD / Buy EUR	11,164
8 September 2011	(2,615,000)	Sell USD / Buy EUR	29,094
8 September 2011	285,000	Sell EUR / Buy CAD	2,592
8 September 2011	(660,000)	Sell AUD / Buy EUR	(4,479)
24 February 2012	(650,000)	Sell USD / Buy EUR	(276)
			<u>975,781</u>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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

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

	Hermes Linder Fund 2010 Fair Value EUR	% of net assets	% of total assets
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>87.60%</u>

#### Derivative Financial Instruments

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

2010

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

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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

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

	Hermes Linder Fund 2011 Fair Value EUR	% of net assets	% of total liabilities
Financial liabilities classified as held for trading			
- Derivative Instruments	<b>199,682</b>	<b>-0.30%</b>	<b>3.07%</b>

#### Derivative Financial Instruments

	2011 EUR
Financial liabilities classified as held for trading	
- Fair value of options	197,411
- Fair value of future contracts	2,271
	<b>199,682</b>

#### 2011

Expiration	Details	Fair value of options at year-end
September 2011	Sale of 750 AHOLD options	(2,250)
September 2011	Sale of 134 BALOISE-HO options	(21,004)
September 2011	Sale of 141 BALOISE-HO options	(11,294)
September 2011	Sale of 270 CANADIAN options	(44,069)
September 2011	Sale of 210 CSM options	(21,000)
September 2011	Sale of 210 CSM options	(13,650)
September 2011	Sale of 960 GAM options	(86,813)
September 2011	Sale of 85 BIFINGER options	(28,220)
September 2011	Sale of 58 ROCHE options	(19,082)
September 2011	Sale of 250 SILVER options	(26,567)
September 2011	Purchase of 78 DAX options	14,274
September 2011	Purchase of 191 DAX options	764
October 2011	Sale of 100 S&P/MIB options	(27,250)
October 2011	Purchase of 100 S&P/MIB options	88,750
		<b>(197,411)</b>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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

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

#### Derivative Financial Instruments (continued)

2011

Expiration	Details	Fair value of future contracts at year-end	
September 2011	Sale of 34 EUREX-DAX INDEX	<u>(2,271)</u>	

	Hermes Linder Fund 2010 Fair Value EUR	% of net assets	% of total liabilities
Financial liabilities classified as held for trading			
- Derivative Instruments	<u>274,352</u>	-0.48%	15.29%

#### Derivative Financial Instruments

	2010 EUR
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>

2010

Maturity	Notional Value	Details	Fair value of forward exchange contracts at period-end
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>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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

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

##### Derivative Financial Instruments (continued)

2010

Expiration	Details	Fair value of options at period-end
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.

### 7. Accrued income

	2011 EUR	2010 EUR
Accrued interest	13,343	116,510
Dividends receivable	55,918	27,274
	<u>69,261</u>	<u>143,784</u>

### 8. Trade and other receivables

	2011 EUR	2010 EUR
Amounts receivable on securities sold	<u>144,095</u>	<u>1,324,964</u>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 9. Trade and other payables

	2011	2010
	EUR	EUR
Accruals	283,013	91,626
Purchases for settlement	463,808	1,428,847
Amounts due on subscriptions received	5,565,000	-
	<u>6,311,821</u>	<u>1,520,473</u>

### 10. Share capital

#### *Authorised share capital*

The Company may issue up to a maximum of five billion one thousand fully-paid up shares without any nominal value assigned to them.

#### *Issued 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. Each sub-fund shall constitute a separate class of shares in the Company, except for the founder shares, which shall not constitute a separate sub-fund. Each sub-fund shall be constituted by separate classes of shares.

Founder shares shall be the only class of shares in the Company carrying voting rights and shall rank pari passu among themselves in all respects. 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).

Investor shares may be issued and redeemed at prices based on the value of the sub-fund's net asset value as determined in accordance with the articles of association.

The Company's obligations in connection with the redemption of the investor shares are disclosed in the liquidity risk section of note 14. The directors do not envisage that the contractual obligations disclosed in that note will be representative of the actual cash outflows.

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.



# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 10. Share capital (continued)

#### Redeemable shares

	Numbers of Shares Class A	Numbers of Shares Class B
Balance as at 1 September 2010	22,288.50	-
Issue of redeemable shares during the year	3,940.59	2,500.00
Redemption of redeemable shares during the year	(2,337.26)	-
<b>Balance as at 31 August 2011</b>	<b>23,891.83</b>	<b>2,500.00</b>

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

The amounts received and paid on the creation and redemption of shares are disclosed in the statement of changes in net assets attributable to holders of redeemable shares on page 9.

### 11. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2011 EUR	2010 EUR
Cash and cash equivalents	<b>11,394,629</b>	5,870,917

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 *EUR4,000,000* and subscriptions received in advance of *EUR5,565,000*.

### 12. Related party disclosures

During the year, the Company entered into transactions with key management personnel as set out below:

Mr. Claudio Palladini is a director and founder member of the Company. Mr. Tom Anastasi Pace and Dr. Frank Chetcuti Dimech are both directors of the Company and directors of Praude Asset Management Ltd, the investment manager. During the year under review, the Company incurred management fees amounting to *EUR691,543* (2010 : *EUR686,831*) and Director Fees amounting to *EUR9,900* (2010 : *EUR14,095*).

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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### 12. Related party disclosures (continued)

Dr. Frank Chetcuti Dimech is also the compliance officer and money laundering reporting officer of the Company. The remuneration paid to Dr. Frank Chetcuti Dimech for these services is included in his director fee.

The Company Secretary of the Hermes Linder Fund, Valletta Fund Services Limited, is also the Fund's administrator. During the year under review, the Company incurred administration fees amounting to *EUR85,249* (2010 : *EUR82,183*).

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

At 31 August 2011 and 2010, the fair value of listed investments is 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 value of collective investment schemes was primarily based on valuations issued by the administrators of the underlying private investment funds at the end of the reporting period. The fair values of other financial assets and financial liabilities are not materially different from their carrying amounts.

The Company classifies 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. 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 year, all the Company's investments qualify as Level 1 measurement as in the prior period.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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### 14. Financial risk management

#### *Risk management*

Where possible, the Company 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 Company 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 Company trades in financial instruments, taking positions in traded instruments including derivatives. All securities present a risk of loss of capital. The Company 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 Company's overall market positions are monitored on a regular basis by the investment manager.

The Company's exposure to the different types of investments is summarised in note 6 to the financial statements.

At the year-end, the Company'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.

#### *Price risk*

The Company's equity, debt instruments 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 Company'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 Company may employ various techniques and enter into hedging transactions to attempt to mitigate a portion of the risks inherent to its investment strategies. The Company 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 all of the Company'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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 14. Financial risk management (continued)

#### *Price risk (continued)*

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

	2011	2010
	%	%
Financial Services Industry	15.47%	19.25%
Basic material	19.81%	16.73%
Industrials	24.57%	13.84%
Consumer services	6.72%	11.82%
Telecommunications	2.16%	11.78%
Consumer goods	8.17%	10.10%
Other	12.68%	16.49%

#### *Interest rate risk*

At the statement of financial position date, only 0.56% (2009 : 8.95%) of the financial assets of the Company are interests bearing. As a result, the Company is not subject to interest rate risk.

Except as mentioned above, the financial instruments of the Company 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 derivative financial instruments are not exposed to interest rate risk.

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

#### *Currency risk*

Currency fluctuations between the base currency of the Company, and the currency of the underlying investments of the Company, may adversely affect the portion of the value of investments and the income derived there from.

The Company, has 19.75% (2010 16.66%) of its assets denominated in CAD, 20.57% (2010 16.26%) of its assets are denominated in CHF, 7.60% (2010 6.68%) in SGD, 4.42% (2010 6.25%) in ILS, 1.04% (2010 2.11%) in HKD, 0.68% (2010 0.98%) in CNY, 2.90% (2010 0.75%) in USD, 0.24% in NOK and 0.64% (2010 0.41%) in AUD.

The Company 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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 14. Financial risk management (continued)

#### *Currency risk (continued)*

The contract amounts at year-end are disclosed below:

2011	Contract amount in Euro	Contract amount in Foreign currency
Sale of ILS against EUR maturing on 08 September 2011	3,543,048	(17,600,000)
Sale of CHF against EUR maturing on 08 September 2011	11,538,501	(12,560,000)
Sale of AUD against EUR maturing on 08 September 2011	485,955	(660,000)
Sale of CAD against EUR maturing on 08 September 2011	7,429,223	(10,302,000)
Sale of HKD against EUR maturing on 08 September 2011	742,431	(8,200,000)
Sale of USD against EUR maturing on 08 September 2011	1,845,522	(2,615,000)
Sale of EUR against CAD maturing on 08 September 2011	(199,821)	285,000
Sale of USD against EUR maturing on 24 February 2012	452,111	(650,000)
2010	Contract amount in Euro	Contract amount in Foreign currency
Sale of ILS against EUR maturing on 16 September 2010	3,249,286	(15,850,000)
Sale of USD against EUR maturing on 16 September 2010	393,360	(500,000)
Sale of AUD against EUR maturing on 16 September 2010	209,103	(300,000)
Sale of CAD against EUR maturing on 16 September 2010	4,277,800	(5,760,000)
Sale of HKD against EUR maturing on 16 September 2010	1,112,493	(11,000,000)
Sale of CHF against EUR maturing on 16 September 2010	5,271,639	(6,870,000)
Sale of USD against EUR maturing on 22 September 2010	233,148	(295,000)

Currency risk is monitored by the investment manager of the Company.

#### *Sensitivity analysis*

For financial instruments held or issued, the Company has used sensitivity analysis techniques that measure the change in the fair value of the Company's 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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 14. Financial risk management (continued)

#### *Sensitivity analysis (continued)*

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.

	<b>Profit or loss</b>	<b>Profit or loss</b>
	<b>2011</b>	<b>2010</b>
	<b>EUR</b>	<b>EUR</b>
Currency exchange risks	+/- 4,287,838	+/- 2,607,677
Financial instruments prices	+/- 6,098,818	+/- 4,616,007
Market interest rates – fair value	+/- 9,749	+/- 111,693

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

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company'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 Company is exposed to cash redemptions of redeemable shares every 15 days with 5 working days notice. Redeemable shares are redeemed on demand at the holder's option. Notwithstanding, the Company has the option to limit the number of investor shares redeemed on any redemption day to 5 % of the total NAV of the Company on that redemption day. All other liabilities are due within less than one month.

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

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

### 14. Financial risk management (continued)

#### *Liquidity risk (continued)*

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 Company's ability to withdraw monies from or invest monies in underlying funds with such restrictions will be limited and such restrictions will limit the Company'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 Company 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. During 2010, the Company disposed all of its investments in collective investment schemes and therefore it is no longer exposed to liquidity risk associated with this type of investment.

The following tables show the contractual, undiscounted cash flows of the Company's financial liabilities at 31 August 2011 and 31 August 2010.

2011	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year
<i>Financial liabilities</i>				
Derivative Instruments	261,182	(61,500)	-	-
Custodian fee payable	-	19,614	-	-
Other fees payable	263,400	-	-	-
Amounts due on securities purchased	463,808	-	-	-
Net assets attributable to participating shareholders	67,547,881	-	-	-
2010	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year
<i>Financial liabilities</i>				
Derivative Instruments	274,352	-	-	-
Administration fee payable	-	7,554	-	-
Custodian fee payable	-	3,748	-	-
Other fees payable	80,324	-	-	-
Amounts due on securities purchased	1,428,847	-	-	-
Net assets attributable to participating shareholders	57,339,951	-	-	-

In accordance with the Company's policy, the investment manager monitors the Company's liquidity position on a regular basis.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2011

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### 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 Company. The Company has policies that limit the amount of credit exposure to any single issuer. Accordingly, the investment manager monitors the Company's credit position on a regular basis. Financial assets, which potentially subject the Company 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.

Cash and cash equivalents and derivative instruments are respectively held and entered into with reputable counterparties.

The Convertible bond of *EUR487,443* (2009 : *EUR506,962*) relates to an instrument 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.

Credit risk arising on other debt instruments held in 2010 was mitigated by investing in rated instruments issued by rated counter parties as shown below:

	Credit rating	Market value 2010	% of net assets
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	<u>2,300,000</u>	4.01%
		<u>5,077,700</u>	

#### *Capital risk management*

The Company'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 Company's net asset value per share on the redemption date.

The Company has the option to limit the number of Investor Shares in any sub-fund repurchased on any redemption day to 5 % of the total net asset value of that sub-fund on that redemption day. 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 Company

Year ended 31 August 2011

Hermes Linder Fund SICAV PLC ("the Company"/the Fund) was originally re-domiciled to Malta from the British Virgin Islands on 25 March 2009 and registered as a Professional Investor Fund licensed by the Malta Financial Services Authority as a multifund limited liability company with variable share capital targeting experienced investors.

With effect from 1 September 2010, the fund was converted 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).

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

### 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.

	Hermes Linder Fund Class A Number of shares 2011	Hermes Linder Fund Class B Number of shares 2011	Hermes Linder Fund Total Number of shares 2011
Investor shares in issue as at 31 August 2011	<u>23,891.83</u>	<u>2,500.00</u>	<u>26,391.83</u>
	EUR	EUR	EUR
Net asset value of investor shares as per statement of financial position	65,222,039	2,325,842	67,547,881
Temporary differences	1,152	51	1,203
Net asset value of investor shares as at official valuation date 31 August 2011	<u>65,223,191</u>	<u>2,325,893</u>	<u>67,549,084</u>
Net asset value of investor shares as at official valuation Date 31 August 2011	<u>2,729.94</u>	<u>930.36</u>	-

# HERMES LINDER FUND SICAV PLC

## Salient statistics and information about the Company (continued)

Year ended 31 August 2011

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	Hermes Linder Fund Class A Number of shares 2010	Hermes Linder Fund Class B Number of shares 2010	Hermes Linder Fund Total Number of shares 2010
Investor shares in issue as at 31 August 2010	22,288.50	-	22,288.50
	EUR	EUR	EUR
Net asset value of investor shares as per statement of financial position	57,339,951	-	57,339,951
Temporary differences	7,619	-	7,619
Net asset value of investor shares as at official valuation date 31 August 2010	<u>57,347,570</u>	-	<u>57,347,570</u>
Net asset value of investor shares as at official valuation Date 31 August 2010	<u>2,572.97</u>	-	-

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# HERMES LINDER FUND SICAV PLC

## Portfolio Statement

Year ended 31 August 2011

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	Market value 31.08.2011 EUR	% of net assets
<b>Quoted Equities</b>		
INTERPUMP GPOUP WARRENTS	1,093,797.73	1.62
UNIPOL GRUPPO FINANZIARIO SPA 2013/WARRENTS	35,872.32	0.05
UNIPOL GRUPPO FINANZIARIO SPA 2013/WARRENTS	36,296.66	0.05
FLUGHAFEN WIEN AG	851,931.00	1.26
TELEKOM AUSTRIA AG	170,060.00	0.25
OM HOLDINGS LIMITED	466,929.98	0.69
BANKERS PETROLEUM LTD	355,148.95	0.53
BCE INC	590,115.39	0.87
CANADIAN NATURAL RESOURCES LTD	709,587.60	1.05
CAPSTONE MINING CORP	1,789,062.83	2.65
CLINE MINING CORP	489,395.25	0.72
ENCANA CORP	1,581,345.20	2.34
GRANDE CACHE COAL CORP	1,093,858.76	1.62
INDUSTRIAL ALLIANCE INSURANCE & FINANCIAL SERVICES	637,669.94	0.94
MEG ENERGY CORP	1,170,428.88	1.73
MINEFINDERS CORP LTD	2,486,184.71	3.68
QUADRA FNX MINING FTD	1,382,950.01	2.05
SILVER WHEATON CORP	689,166.54	1.02
VITERRA INC	1,628,286.90	2.41
ACINO HOLDING AG	432,710.94	0.64
ALPIQ HOLDING SA	800,205.58	1.18
BALOISE-HOLDING AG	1,693,422.67	2.51
BUCHER INDUSTRIES SPA	1,261,723.70	1.87
UNIQUE ZUERICH AIRPORT AG	4,003,981.10	5.93
GAM HOLDING AG	988,020.08	1.46
KUONI REISEN HOLDING AG	1,394,915.21	2.07
REPOWER AG - PARTIZIPSCH	22,090.93	0.03
ROCHE HOLDING AG, BASEL	707,255.99	1.05
SWISS NATIONAL INSURANCE COMPANY	2,080,326.58	3.08
VAUDOISE ASSURANCES HOLDING LTD	1,454,737.28	2.15
BEIJING CAPITAL INTERNATIONAL AIRPORT CO LTD	766,859.17	1.14
BILFINGER BERGER AG	496,995.00	0.74
DUERR AG	503,500.00	0.75
GESCO AG	218,622.78	0.32
HOMAG GROUP AG	673,442.64	1.00
ISRA VISION AG	152,779.41	0.23
PNE WIND AG	1,045,564.52	1.55
SCHALTBAU HOLDING AG	685,100.00	1.01

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# HERMES LINDER FUND SICAV PLC

## Portfolio Statement (continued)

Year ended 31 August 2011

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	Market value 31.08.2011 EUR	% of net assets
<b>Quoted Equities (continued)</b>		
SINGULUS TECHNOLOGIES AG	173,073.01	0.26
SUESS MICROTEC AG	500,265.42	0.74
TECHNOTRANS AG NAMEN AKT	178,143.41	0.26
VOSSLOH AG	1,106,820	1.64
LYXOR ETF DAILY DOUBLE SHORT BTP	489,650	0.72
ATTICA PUBLICATIONS SA	95,000	0.14
FYFFES PLC	1,156,000	1.71
TOTAL PRODUCE PLC	370,100	0.55
ISRAEL CHEMICALS LTD	3,262,181	4.83
BIESSE SPA	138,770	0.21
RATTI SPA POST RAGGRUPPAMENTO	270,480.00	0.40
SAES GETTERS SPA	477,727.25	0.71
SOL SPA	1,067,024.61	1.58
TBS GROUP S.P.A.	75,271.91	0.11
TESMEC S.P.A.	252,180.64	0.37
VITTORIA ASSICURAZIONI SPA	238,479.90	0.35
POSCO ADR REPR. 1/4 SH	792,954.48	1.17
SK TELECOM CO LTD - ADR REPR 1/9	837,627.98	1.24
KONINKLIJKE AHOLD NV	811,000.00	1.20
BINCKBANK NV	1,242,600.00	1.84
CSM NV	706,860.00	1.05
DOCDATA NV	751,800.00	1.11
KAS BANK NV	1,496,675.00	2.22
MEDIQ N.V.	1,766,447.24	2.62
FARSTAD SHIPPING AZ NOK	139,281.22	0.21
ADAMPAK LTD	168,835.97	0.25
ASL MARINE HOLDINGS LTD	275,481.38	0.41
BREADTALK GROUP LTD	114,386.73	0.17
CHINA MINZHONG CORPORATION LTD	568,467.39	0.84
CWT LTD	647,036.05	0.96
FOOD EMPIRE HOLDINGS LTD	277,936.65	0.41
HUPSTEEL LTD	277,023.87	0.41
JAYA HOLDINGS LTD	571,933.66	0.85
PACIFIC ANDES RESOURCES DEVELOPMENT LTD	389,954.77	0.58
PACIFIC SHIPPING TRUST	366,378.89	0.54
SOUND GLOBAL LTD	541,603.84	0.80
SUPER GROUP LTD	537,271.01	0.80
SWIBER HOLDINGS LTD	647,036.05	0.96
UNITED OVERSEAS BANK LTD	568,072.79	0.84

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# HERMES LINDER FUND SICAV PLC

## Portfolio Statement (continued)

Year ended 31 August 2011

	<b>Market value 31.08.2011 EUR</b>	<b>% of net assets</b>
<b>Quoted Convertible Bonds</b>		
SOUND GLOBALCONVERSION DUAL CURRENCY 6% 2015	487,443.40	0.72
<b>Derivatives - Options</b>		
AHOLD September 2011 Call Strike @ AMD 86	(2,250)	0.00
BALOISE-HO September 2011 Call Strike @ EUX 72	(21,004)	(0.03)
BALOISE-HO September 2011 Call Strike @ EUX 74	(11,294)	(0.02)
CANADIAN September 2011 Call Strike @ OPR 36	(44,069)	(0.07)
CSM September 2011 Call Strike @ AMD 16	(21,000)	(0.03)
CSM September 2011 Call Strike @ AMD 16.5	(13,650)	(0.02)
DAX September 2011 Call Strike @ STK 6100	14,274	0.02
DAX September 2011 Call Strike @ STK 6800	764.00	0.00
GAM September 2011 Call Strike @ EUX 2011	(86,813)	(0.13)
BILFINGER September 2011 Call Strike @ EUX 56	(28,220)	(0.04)
ROCHE September 2011 Call Strike @ EUX 140	(19,082)	(0.03)
SILVER September 2011 Call Strike @ OPR 40	(26,567)	(0.04)
S&P/MIB October 2011 Put Strike @ 12000	(27,250)	(0.04)
S&P/MIB October 2011 Put Strike @ 14000	88,750.00	0.13
<b>Derivatives - Forward Forex Contracts</b>		
	<b>Fair Value</b>	
Sale of AUD against EUR maturing on 08 September 2011	(4,479)	(0.73)
Purchase of CAD against EUR maturing on 08 September 2011	2,592	0.30
Sale of CAD against EUR maturing on 08 September 2011	112,510	(7,316,713)
Sale of CHF against EUR maturing on 08 September 2011	717,662	(10,820,839)
Sale of HKD against EUR maturing on 08 September 2011	11,164	(731,267)
Sale of ILS against EUR maturing on 08 September 2011	107,514	(3,435,534)
Sale of USD against EUR maturing on 08 September 2011	29,094	(1,816,428)
Sale of USD against EUR maturing on 24 February 2012	(276)	(452,387)
<b>Derivatives - Futures</b>		
	<b>Fair Value</b>	
FUTURE DAX SEP11 GXU1 EUR	(2,272)	4,923,625
		(0.003)

# HERMES LINDER FUND SICAV PLC

## Statement of Changes in the Composition of the Portfolios

Year ended 31 August 2011

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	<b>% of net assets 31.08.2011 EUR</b>	<b>% of net assets 31.08.2010 EUR</b>
Quoted Equities	<b>90.29</b>	80.47
Quoted Bonds	-	8.86
Quoted Convertible Bonds	<b>0.72</b>	0.88
Collective Investment Schemes	-	0.03
Derivative Financial Assets	<b>1.44</b>	0.09
Derivative Financial Liabilities	<b>(0.30)</b>	(0.48)

## INDEPENDENT AUDITOR'S REPORT

to the members of

## Hermes Linder Fund SICAV PLC

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We have audited the accompanying financial statements of Hermes Linder Fund SICAV PLC set out on pages seven to thirty one, which comprise the statement of financial position of the company as at 31 August 2011, the statement of comprehensive income, the statement of changes in net assets and the statement of cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

As explained more fully in the statement of directors' responsibilities on page six, the directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Chap. 386), and for such internal control as the directors determine is necessary to enable the preparation of 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 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 entity's preparation of financial statements that give a true and fair view 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 unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the members of

### Hermes Linder Fund SICAV PLC

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#### *Basis for qualified opinion on the financial performance and cash flows*

Prior to the company's re-domiciliation from the British Virgin Islands to Malta on 25 March 2009, there was no requirement for the company's financial statements to be audited and the company's accounting records were prepared under a financial reporting framework other than International Financial Reporting Standards as adopted by the EU. Because of these reasons, we were unable to obtain sufficient appropriate audit evidence to enable us to verify whether the company's opening balances as at 25 March 2009 were properly stated. As a result, we were unable to determine whether any adjustments might have been necessary for the financial period ended 31 August 2010. Our audit opinion on the financial statements for the period ended 31 August 2010 was modified accordingly. Our opinion on the current period's financial performance and cash flows is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

#### *Qualified opinion on the financial performance and cash flows*

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion paragraph, the statement of comprehensive income and statement of cash flows give a true and fair view of the financial performance and cash flows of Hermes Linder Fund SICAV PLC for the year ended 31 August 2011 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).

#### *Opinion on the financial position*

In our opinion, the statement of financial position gives a true and fair view of the financial position of Hermes Linder Fund SICAV PLC 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).



Sarah Curmi as Director  
in the name and on behalf of  
**DELOITTE AUDIT LIMITED**  
Registered auditor

15 December 2011



# HERMES LINDER FUND SICAV PLC

## Manager's Report

Year ended 31 August 2011

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### Introduction

Hermes Linder Fund is an open-ended collective investment scheme organised as a multi-fund limited liability company with variable share capital registered under the laws of Malta and licensed by the Malta Financial Services Authority in terms of the Investment Services Act (Chapter 370 of the Laws of Malta). The Company qualifies as a "Maltese UCITS" in terms of the Undertakings for Collective Investment in Transferable Securities and Management Companies Regulations, 2004.

### Investment Objective

Hermes Linder Fund aims to achieve long-term appreciation principally through value investing.

### Strategy & Investment Policy

The strategy adopted is that of investing most of its assets in securities quoted on the major exchanges worldwide.

Under normal circumstances, the Fund holds a significant proportion of its assets in equities of undervalued companies with 20% of the equity portfolio in highly liquid securities. The Fund picks companies that reflect high growth potential and are relatively undervalued – this is achieved through in-depth analysis of the companies' fundamental, multiples, core ratios and future prospects. A portion of assets comprises of cash deposits and investments in fixed-income securities. Additionally, derivatives are used mainly for efficient portfolio management as well as for investments purposes.

### Investment Manager's Report as at 31<sup>st</sup> August 2011

During Q4 2010, global markets rallied on the back of a fresh round of quantitative easing announced by the Fed and low interest rates being confirmed in the US and in the Eurozone. 2011 started where it left off in 2010, with a strong rally from January to mid-February. However, the optimism and positive sentiment that characterised the first half of Q1 was marred by a series of events which rocked the global equity markets which led to extreme market volatility during the first eight months of 2011.

The major reasons which brought about such volatility were the political unrest in the MENA countries, especially in Libya, the catastrophic events that battered Japan and the resurfacing of debt overhang problems in some of the Eurozone countries as well as in the U.S. The US had its credit rating downgraded by S&P in August, as the U.S. political leaders dithered on the debt issue and as U.S debt was seen as becoming unsustainable in the long term.

The euro debt crisis has taken by far the deepest toll. Putting in place unpopular reforms in the Eurozone and re-building confidence on the fiscal outlook will be challenging.

In light of the above events and market volatility, the fund increased its defensive stance during the months of July and August. During the twelve months ending August 2011, the Hermes Linder Fund Class A shares appreciated by 6.1%.

# HERMES LINDER FUND SICAV PLC

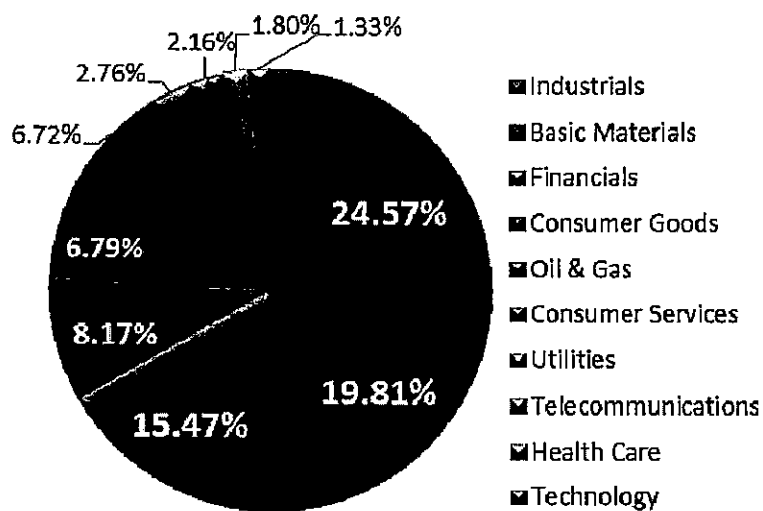
## Manager's Report (continued)

Year ended 31 August 2011

### Ten Largest Holding as at 31<sup>st</sup> August 2011

Rank	Equity	Country	Industry	% of Portfolio
1	Flughafen Zurich	Switzerland	Industrials	5.92%
2	Israel Chemicals	Israel	Basic Materials	4.82%
3	Minefinders	Canada	Basic Materials	3.67%
4	Swiss National Insurance	Switzerland	Financials	3.08%
5	Capstone Mining	Canada	Basic Materials	2.64%
6	Mediq	Netherlands	Consumer Services	2.61%
7	Baloise Holding	Switzerland	Financial	2.50%
8	Viterra	Canada	Consumer Goods	2.40%
9	Encana	Canada	Oil & Gas	2.33%
10	Vaudoise Assurances	Switzerland	Financials	2.15%

### Industrial Diversification as at 31<sup>st</sup> August 2011

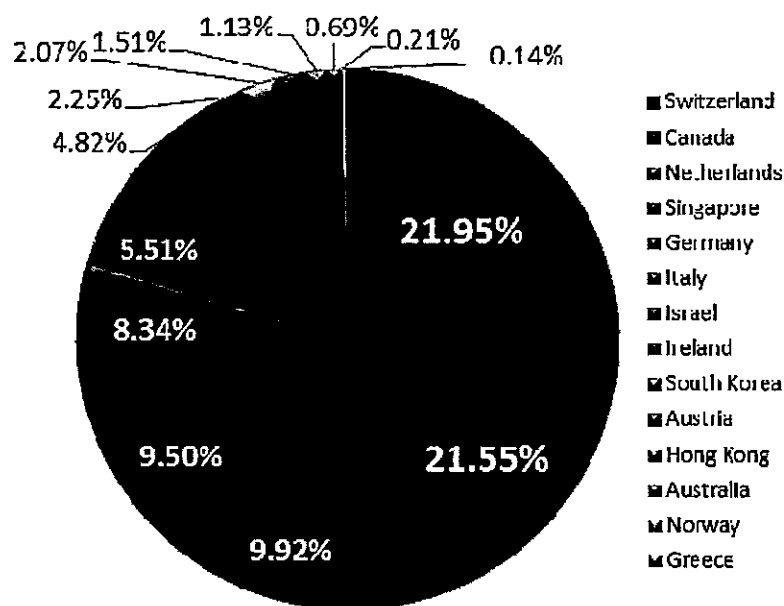


# HERMES LINDER FUND SICAV PLC

## Manager's Report (continued)

Year ended 31 August 2011

### Geographical Distribution as at 31<sup>st</sup> August 2011



### Analysis of Net Assets as at 31<sup>st</sup> August 2011

	% of NAV
Quoted Equities	90.29%
Convertible Bond	0.72%
Derivative Instruments	1.44%

### Published Net Asset Value Per Share, Number of Shares and Assets Under Management 28<sup>th</sup> February 2011

Share Class	Net Asset Value per share	Number of Shares in Issue	AUM
A	€ 2,881.38	24,926,281	€ 72,511,309.24
B	N/A	N/A	N/A
C	N/A	N/A	N/A

# HERMES LINDER FUND SICAV PLC

## Manager's Report (continued)

Year ended 31 August 2011

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### Published Net Asset Value Per Share, Number of Shares and Assets Under Management 31<sup>st</sup> August 2011

Share Class	Net Asset Value per share	Number of Shares in Issue	AUM
A	€ 2,729.936	23,891.832	€ 65,223,191.02
B	€ 930.357	2,500	€ 2,325,893.60
C	N/A	N/A	N/A

*Note: The opinions expressed are given in good faith and should not be construed as investment advice.*



## Bank of Valletta

Finance Department  
BOV Centre, Cannon Road, Sta Venera - Malta  
Telephone: (356) 2275 3098 Fax: (356) 2275 3710

### Report of the Custodian

We, Bank of Valletta p.l.c. as Custodian to Hemes Linder Fund SICAV p.l.c ("the Scheme") hereby confirm that having enquired into the conduct of the Manager and the Investment Advisor during the year ended 31<sup>st</sup> August, 2011, it is our opinion that during this period, the Scheme has been managed:

- i) in accordance with the limitations imposed on the investment and borrowing powers of the Scheme by the constitutional documents and by the Malta Financial Services Authority; and
- ii) Otherwise in accordance with the provision of the constitutional documents and the License Conditions.

Bank of Valletta PLC  
Bov Centre  
Cannon Road  
Santa Venera  
Malta SVR 9030

15<sup>th</sup> December, 2011

The Directors,  
Hermes Linder Fund SICAV plc,  
TG Compex,  
Suite 2, Level 3,  
Brewery Street,  
Mriehel,  
Malta.

15 December 2011

Dear Sirs,

**Management Letter - Financial year ended 31 August 2011**

Following the completion of our audit of Hermes Linder Fund SICAV plc for the year ended 31 August 2011 we wish to draw your attention to the fact that no matters came to our attention during the audit which we need to bring to the Board's attention.

This letter has been prepared for your private use and must not be disclosed to third parties, except the Malta Financial Services Authority, without our written consent and no responsibility is accepted by us towards any other persons. Please acknowledge receipt of this letter.

We wish to thank you for your assistance and co-operation during our work.

Yours faithfully



Sarah Curmi

cc: Malta Financial Services Authority