

# **HERMES LINDER FUND SICAV PLC**

**SV 100**

**Report and financial statements**

31 August 2012

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# 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, TG Complex, Suite 2, Level 3, Brewery Street, Mrieהל, Malta.
<i>Registered office:</i>	TG Complex, Suite 2, Level 3, Brewery Street, Mrieהל, Malta.
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	SV 100
<i>Auditor:</i>	Deloitte Audit Limited, Deloitte Place, Mrieהל Bypass, Mrieהל, Malta.

# HERMES LINDER FUND SICAV PLC

## Directors, officer and other information (continued)

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*Investment manager:* Praude Asset Management Limited,  
TG Complex,  
Suite 2, Level 3,  
Brewery Street,  
Mriehel,  
Malta.

*Custodian:* Bank of Valletta p.l.c.  
BOV Centre,  
Cannon Road,  
Santa Venera SVR 9030,  
Malta.

*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 2012

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The directors present their report and the audited financial statements of the Company for the year ended 31 August 2012.

### Significant changes to the Company Documents

In May 2012 the Company became UCITS IV compliant and issued its first Key Investor Information Documents in accordance with Directive 2009/65/EC. At the same time the Company passported into Italy and appointed three Italian banks belonging to the same group Veneto Banca S.C.P.A. as distributors.

### Principal activities

The principal activity of the Company is to achieve its investment objectives as defined in its prospectus. The Company has one sub-fund, the Hermes Linder Fund, which has three share classes: Class A, Class B and Class C. The investment objective of the the Hermes Linder Fund is to achieve long-term appreciation principally through value investing mainly in the major equity markets. There is no guarantee that the sub-fund will achieve its investment objectives.

### Performance review

In the year under review the Hermes Linder Fund attracted *EUR22,065,778* (2011 - *EUR13,649,718*) from investors with redemptions amounting to *EUR3,114,427* (2011 - *EUR6,632,885*).

The Company registered a loss of *EUR7,433,975* (2011 - gain of *EUR3,191,187*). Net assets attributable to holders of redeemable shares at the end of the year amounted to *EUR79,065,355* (2011 - *EUR67,547,881*).

### Results and distribution

The results for the year ended 31 August 2012 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.

# HERMES LINDER FUND SICAV PLC

## Directors' report (continued)

Year ended 31 August 2012

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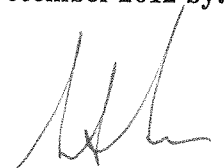
### Auditors

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 its behalf on 12 December 2012 by:



*Dr. Frank Chetcuti Dimech*  
*Director*



*Mr. Tom Anastasi Pace*  
*Director*

# HERMES LINDER FUND SICAV PLC

## Statement of directors' responsibilities

Year ended 31 August 2012

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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 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 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. 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 2012

	Notes	Hermes Linder Fund 2012 EUR	Hermes Linder Fund 2011 EUR
Dividend income		2,078,728	1,428,182
Interest income		291,878	285,978
Net (loss)/gain on financial instruments at fair value through profit or loss		(7,962,916)	3,305,431
Other income		-	6,189
<b>Net investment (expense)/income</b>		<b>(5,592,310)</b>	<b>5,025,780</b>
Administrator fees	5	83,711	85,249
Audit fees		8,437	8,437
Custodian fees	5	86,823	81,265
Directors' fees		9,900	9,900
Legal fees		9,505	5,094
Management fees	5	851,457	691,543
Other expenses		3,997	13,723
Transaction costs		444,405	422,681
Disbursements and commissions		61,734	31,453
Performance fees	5	-	175,541
<b>Total operating expenses</b>		<b>1,559,969</b>	<b>1,524,886</b>
<b>Change in net assets attributable to holders of redeemable shares before withholding tax</b>		<b>(7,152,279)</b>	<b>3,500,894</b>
Withholding tax paid on behalf of holders of redeemable shares		(281,696)	(309,707)
<b>Change in net assets attributable to holders of redeemable shares</b>		<b>(7,433,975)</b>	<b>3,191,187</b>



# HERMES LINDER FUND SICAV PLC

## Statement of financial position

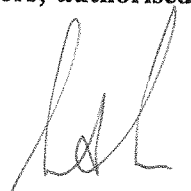
31 August 2012

	Notes	Hermes Linder Fund 2012 EUR	Hermes Linder Fund 2011 EUR
<b>Assets</b>			
Financial assets at fair value through profit or loss	6	71,493,500	62,451,399
Accrued income	7	554,065	69,261
Trade and other receivables	8	2,041,451	144,095
Cash and cash equivalents	11	9,187,049	11,392,358
<b>Total assets</b>		<b>83,276,065</b>	<b>74,057,113</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	6	27,542	197,411
Trade and other payables	9	4,183,168	6,311,821
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>4,210,710</b>	<b>6,509,232</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>79,065,355</b>	<b>67,547,881</b>

These financial statements were approved by the board of directors, authorised for issue on 12 December 2012 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 2012

	Hermes Linder Fund 2012 EUR	Hermes Linder Fund 2011 EUR
At the beginning of the year	67,547,881	57,339,951
Amounts received on creation of shares	22,065,778	13,649,718
Redemption of shares	(3,114,427)	(6,632,885)
Change in net asset attributable to holders of redeemable shares	(7,433,975)	3,191,187
Effect of exchange rate changes	98	(90)
<b>Net asset attributable to holders of redeemable shares</b>	<b>79,065,355</b>	<b>67,547,881</b>

# HERMES LINDER FUND SICAV PLC

## Statement of cash flows

Year ended 31 August 2012

	Hermes Linder Fund 2012 EUR	Hermes Linder Fund 2011 EUR
<b>Cash flows from operating activities</b>		
Bond and bank interest received	189,176	389,144
Dividend income received	1,988,340	1,399,285
Operating expenses paid	(1,283,599)	(904,920)
Income taxes paid	(281,696)	(309,707)
<i>Net cash flows from operating activities</i>	<u>612,221</u>	<u>573,802</u>
<b>Cash flows used in investing activities</b>		
Payment to acquire financial instruments at fair value through profit or loss	(74,967,044)	(66,652,966)
Receipts from disposal of financial instruments at fair value through profit or loss	58,763,065	59,018,862
<i>Net cash flows used in investing activities</i>	<u>(16,203,979)</u>	<u>(7,634,104)</u>
<b>Cash flows from financing activities</b>		
Subscriptions received in advance	-	5,565,000
Amounts received on creation of shares	16,500,778	13,649,718
Amounts paid on redemption of shares	(3,114,427)	(6,632,885)
<i>Net cash flows from financing activities</i>	<u>13,386,351</u>	<u>12,581,833</u>
<b>Net movements in cash and cash equivalents</b>	<u>(2,205,407)</u>	<u>5,521,531</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>11,392,358</u>	<u>5,870,917</u>
Effect of exchange rate changes	98	(90)
<b>Cash and cash equivalents at the end of the year (note 11)</b>	<u>9,187,049</u>	<u>11,392,358</u>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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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 2012: 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 2012

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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

The company's investments are classified as financial assets and liabilities at fair value through profit or loss. Financial assets and liabilities at fair value through profit or loss are those that are held for trading purposes or those financial assets and liabilities 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 at fair value through profit or loss. After initial recognition, financial assets and liabilities at fair value through profit or loss are measured at their fair value. For all financial instruments which are quoted or otherwise traded in an active market, for exchange traded derivatives, exchange traded funds and for other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices and is based on the current bid price (for long positions) and ask price (for short positions).

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 the statement of comprehensive income 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 within investment income in the statement of comprehensive income. Fair value gains and losses are recognised within net (loss)/gain on financial assets at fair value through income in the statement of comprehensive income.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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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

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.

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 is subsequently re-measured to its 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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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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)

##### (b) Convertible bond (continued)

Convertible bonds 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.

#### (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.

#### (vi) Margin account

Margin accounts represent cash deposits held with brokers as collateral against open futures and option contracts and are included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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### 2. Significant accounting policies (continued)

#### *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.

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 and bond interest income is accounted for when the Company recognises the related dividend and bond interest 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.



# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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### 2. Significant accounting policies (continued)

#### *Currency translation (continued)*

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, fiduciary and margin 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. Adoption of revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective

#### *Adoption of revised International Financial Reporting Standards*

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation).
- Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011).

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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

#### *Adoption of revised International Financial Reporting Standards (continued)*

- Amendments to IFRS 7 “*Financial Instruments*” introduce enhanced disclosure requirements 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 (effective for annual periods beginning on or after 1 July 2011).

#### *Standards and Interpretations issued by IASB 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 standards, revisions and interpretations that were in issue at the date of authorisation of these financial statements, but not yet effective:

- IFRS 9 *Financial Instruments* 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. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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

*Standards and Interpretations issued by IASB but not yet effective (continued)*

- On 12 May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 defines fair value, sets out in a single IFRS 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.

Only the amendments that are relevant to the company have been disclosed above. The company, however, expects no impact from the adoption of the amendments on its financial position or performance.

### 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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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### 5. Fees (continued)

#### (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*.

#### (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 2012

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

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

	Hermes Linder Fund 2012 Fair value EUR	% of net assets	% of total assets
Financial assets classified as held for trading			
- Equity instruments	62,037,770	78.46%	74.49%
- Debt instruments	8,853,248	11.20%	10.63%
- Convertible bond	547,028	0.69%	0.66%
- Derivative instruments	55,454	0.07%	0.07%
	<b>71,493,500</b>	<b>90.42%</b>	<b>85.85%</b>

Derivative financial instruments

	2012 EUR
Financial assets classified as held for trading	
- Fair value of forward exchange contracts	<b>55,454</b>

2012

Maturity	Notional Value	Details	Fair value of forward exchange contracts at year-end
20 September 2012	17,500,000	Sell EUR/Buy ILS	(121,059)
20 September 2012	(17,500,000)	Sell ILS/Buy EUR	122,266
26 September 2012	(470,000)	Sell AUD/Buy EUR	1,371
26 September 2012	1,500,000	Sell EUR/Buy CAD	(20,850)
26 September 2012	(9,460,000)	Sell CAD/Buy EUR	(54,732)
26 September 2012	(7,035,000)	Sell GBP/Buy EUR	10,719
26 September 2012	(13,450,000)	Sell HKD/Buy EUR	33,516
26 September 2012	450,000	Sell EUR/Buy USD	(8,050)
26 September 2012	(4,975,000)	Sell USD/Buy EUR	92,273
			<b>55,454</b>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 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 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 2012

### 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 2012 Fair value EUR	% of net assets	% of total liabilities
Financial liabilities classified as held for trading			
- Derivative instruments	27,542	-0.03%	0.65%

Derivative financial instruments

	2012 EUR
Financial liabilities classified as held for trading	
- Fair value of options	27,542

2012

Expiration	Details	Fair value of options at year-end
September 2012	Sale of 100 APACHE options	(9,679)
September 2012	Sale of 155 GAM options	(2,323)
September 2012	Sale of 159 GAM options	(5,429)
September 2012	Purchase of 150 GENERALI options	2,435
September 2012	Sale of 300 POTASH options	(15,946)
October 2012	Purchase of 100 GENERALI options	3,400
		(27,542)

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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

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

	Hermes Linder Fund 2011 Fair value EUR	% of net assets	% of total liabilities
Financial liabilities classified as held for trading			
- Derivative instruments	199,682	-0.30%	3.07%

2011  
EUR

Financial liabilities classified as held for trading

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
		<u>(197,411)</u>

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



# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 7. Accrued income

	2012 EUR	2011 EUR
Accrued interest	407,760	13,343
Dividends receivable	146,305	55,918
	<u>554,065</u>	<u>69,261</u>

### 8. Trade and other receivables

	2012 EUR	2011 EUR
Sales for settlement	<u>2,041,451</u>	<u>144,095</u>

### 9. Trade and other payables

	2012 EUR	2011 EUR
Accruals	114,694	283,013
Purchases for settlement	4,068,474	463,808
Amounts due on subscriptions received	-	5,565,000
	<u>4,183,168</u>	<u>6,311,821</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 1,000 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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 10. Share capital (continued)

#### *Issued share capital (continued)*

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 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.

#### **Redeemable shares**

	<b>Numbers of Shares Class A</b>	<b>Numbers of Shares Class B</b>
Balance as at 1 September 2011	23,891.83	2,500.00
Issue of redeemable shares during the year	4,336.67	11,759.51
Transfer of redeemable shares between classes	(1,848.73)	5,460.99
Redemption of redeemable shares during the year	(1,195.38)	(26.00)
<b>Balance as at 31 August 2012</b>	<b>25,184.39</b>	<b>19,694.50</b>

	<b>Numbers of Shares Class A</b>	<b>Numbers of Shares Class B</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>

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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 11. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise bank balances, fiduciary deposits as well as margin deposits held in respect of open future and option contracts. The following statement lists the financial position amounts:

	2012 EUR	2011 EUR
Cash and cash equivalents held in banks	9,437,789	10,884,629
Initial margin balances on open future and option contracts	959,600	510,000
Variation margin balances on open future contracts	(1,210,340)	(2,271)
	<u>9,187,049</u>	<u>11,392,358</u>

Cash at bank earns interest at floating rates based on bank deposit rates. Included in cash and cash equivalents are fiduciaries deposits amounting to *EUR2,350,000* (2011: *EUR4,000,000*). In the prior year, cash and cash equivalents also include subscriptions received in advance of *EUR5,565,000*.

*Variation margin balances on open future contracts*

2012

	Hermes Linder Fund 2012 EUR	% of net assets	% of total assets
<i>Financial liabilities classified as held for trading</i>			
Fair value of open future contracts	<u>(1,210,340)</u>	<u>-1.53%</u>	<u>-1.45%</u>

Maturity	Details	Fair value of future contracts at year end 2012 EUR
September 2012	Sale of 46 EUREX-EUR BTP	(116,570)
September 2012	Sale of 10 AEX-AMSTERDAM Index	7,100
September 2012	Sale of 5 EUREX-DAX Index	(21,250)
September 2012	Sale of 92 IDEM-FTSE MIB Index	(1,079,620)
		<u>(1,210,340)</u>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 11. Cash and cash equivalents (continued)

*Variation margin balances on open future contracts (continued)*

2011

	Hermes Linder Fund 2011 EUR	% of net assets	% of total assets
<i>Financial liabilities classified as held for trading</i>			
Fair value of open future contracts	(2,271)	-0.003%	-0.003%
			Fair value of future contracts at year end 2011 EUR
Maturity	Details		
September 2011	Sale of 34 EUREX-DAX Index		(2,271)

### 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 *EUR851,457* (2011: *EUR691,543*) and Director Fees amounting to *EUR9,900* (2011: *EUR9,900*).

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 *EUR83,711* (2011: *EUR85,249*).

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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

At 31 August 2012 and 2011, 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.

The following table analyses within the fair value hierarchy the Company's financial assets and financial liabilities measured at fair value for 31 August 2012, 31 August 2011 and 31 August 2010. The disclosures in these tables have been restated to reflect the fair value hierarchy of certain derivative financial instruments to level 2 as the fair values for these instruments is derived from observable prices.:

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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

#### Financial assets and financial liabilities at fair value as at 31 August 2012

	Hermes Linder Fund Total EUR	Level 1 EUR	Level 2 EUR
<i>Financial assets held for trading</i>			
- Equity instruments	62,037,770	62,037,770	-
- Debt instruments	8,853,248	8,853,248	-
- Convertible bonds	547,028	547,028	-
- Derivative instruments	55,454	-	55,454
	<b>71,493,500</b>	<b>71,438,046</b>	<b>55,454</b>
<i>Financial liabilities held for trading</i>			
- Derivative instruments	27,542	27,542	-

#### Financial assets and financial liabilities at fair value as at 31 August 2011

	Hermes Linder Fund Total EUR	Level 1 EUR	Level 2 (Restated) EUR
<i>Financial assets held for trading</i>			
- Equity instruments	60,988,175	60,988,175	-
- Convertible bonds	487,443	487,443	-
- Derivative instruments	975,781	-	975,781
	<b>62,451,399</b>	<b>61,475,618</b>	<b>975,781</b>
<i>Financial liabilities held for trading</i>			
- Derivative instruments	197,411	197,411	-

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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

Financial assets and financial liabilities at fair value as at 31 August 2010

	Hermes Linder Fund Total EUR	Level 1 EUR	Level 2 (Restated) EUR
<i>Financial assets held for trading</i>			
- Equity instruments	46,143,725	46,143,725	-
- Debt instruments	5,077,700	5,077,700	-
- Convertible bonds	506,962	506,962	-
- Collective investment schemes	16,349	16,349	-
- Derivative instruments	50,375	50,375	-
	<u>51,795,111</u>	<u>51,795,111</u>	<u>-</u>
<i>Financial liabilities held for trading</i>			
- Derivative instruments	274,352	210,898	63,454

### 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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 14. Financial risk management (continued)

#### *Market risk (continued)*

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.

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

	2012	2011
	%	%
Financial services industry	20.90	15.47
Basic material	13.50	19.81
Industrials	27.26	24.57
Consumer services	4.73	6.72
Telecommunications	2.64	2.16
Consumer goods	12.07	8.17
Other	10.02	12.68



# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 14. Financial risk management (continued)

#### *Interest rate risk*

At the statement of financial position date, 13.15% (2011: 0.78%) of the financial instruments of the Company are interest bearing. As a result, the Company is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Except as mentioned above, the financial assets 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 currency denomination of the Company's net assets, excluding positions in forward foreign exchange contracts is as follows:

	2012 % of net assets EUR	2011 % of net assets EUR
- denominated in EUR	28.84	35.74
- denominated in CHF	17.67	22.35
- denominated in SGD	12.99	8.33
- denominated in CAD	16.06	21.65
- denominated in USD	5.02	2.73
- denominated in AUD	0.41	0.70
- denominated in HKD	1.94	1.14
- denominated in ILS	4.56	4.85
- denominated in CNY	0.71	0.74
- denominated in NOK	-	0.27
- denominated in GBP	11.72	0.06
- denominated in TRY	0.01	0.01
	<b>99.93</b>	<b>98.57</b>

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 14. Financial risk management (continued)

#### *Currency risk (continued)*

Foreign exchange fluctuations were partly hedged through forward foreign exchange contracts. The contract amounts as at year-end are disclosed below:

Forward foreign exchange contracts held as at 31 August 2012:

	Contract amount in Euro	Contract amount in foreign currency
Sale of EUR against ILS maturing on 20 September 2012	(3,576,246)	17,500,000
Sale of ILS against EUR maturing on 20 September 2012	3,577,000	(17,500,000)
Sale of AUD against EUR maturing on 26 September 2012	385,682	(470,000)
Sale of EUR against CAD maturing on 26 September 2012	(1,225,791)	1,500,000
Sale of CAD against EUR maturing on 26 September 2012	7,544,229	(9,460,000)
Sale of GBP against EUR maturing on 26 September 2012	8,872,159	(7,035,000)
Sale of HKD against EUR maturing on 26 September 2012	1,408,215	(13,450,000)
Sale of EUR against USD maturing on 26 September 2012	(364,964)	450,000
Sale of USD against EUR maturing on 26 September 2012	4,037,710	(4,975,000)

Forward foreign exchange contracts held as at 31 August 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)

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 2012

### 14. Financial risk management (continued)

#### *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.

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>2012</b>	<b>2011</b>
	<b>EUR</b>	<b>EUR</b>
Currency exchange risks	<b>+/- 5,620,480</b>	+/- 4,287,838
Financial instruments prices	<b>+/- 6,079,989</b>	+/- 6,098,818
Market interest rates – fair value	<b>+/- 724,093</b>	+/- 9,749

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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

### 14. Financial risk management (continued)

#### *Liquidity risk (continued)*

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 one to three months.

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.

The following tables show the contractual, undiscounted cash flows of the Company's financial liabilities at 31 August 2012 and 31 August 2011.

2012	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year
<i>Financial liabilities</i>				
Derivative instruments	33,377	-	-	-
Custodian fee payable	-	10,300	-	-
Other fees payable	104,394	-	-	-
Amounts due on securities purchased	4,068,474	-	-	-
Net assets attributable to participating shareholders	79,065,355	-	-	-
2011	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year
<i>Financial liabilities</i>				
Derivative instruments	273,949	27,250	-	-
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	-	-	-

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 2012

### 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 EUR547,028 (2011: EUR487,443) 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 2012 was reduced by investing in rated instruments issued by rated counter parties as shown below:

	<b>Credit rating</b>	<b>Market value 2012</b>	<b>% of net assets</b>
Assicurazioni Generali Spa 6.41% FR	BBB	3,554,763	4.50
Generali Finance B.V. 6.21% FR	BBB	2,460,780	3.11
Intesa Sanpaolo Spa 6.37% 2017	BBB	1,796,299	2.27
UniCredit Spa 6.37% 2018	BBB	1,041,407	1.32
		<u>8,853,248</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.

# HERMES LINDER FUND SICAV PLC

## Notes to the financial statements

31 August 2012

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### 14. Financial risk management (continued)

#### *Capital risk management (continued)*

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.

### 15. Comparative figures

Certain comparative figures have been re-classified to comply with the current year's presentation of the financial statements, namely the classification of the margin accounts to be disclosed as part of Note 11 - Cash and cash equivalents. Moreover certain comparative figures within the fair value hierarchy table have been reclassified as explained in Note 13.

# HERMES LINDER FUND SICAV PLC

## Salient statistics and information about the Company

Year ended 31 August 2012

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 2012	Hermes Linder Fund Class B Number of shares 2012	Hermes Linder Fund Total Number of shares 2012
Investor shares in issue as at 31 August 2012	25,184.39	19,694.50	44,878.89
	EUR	EUR	EUR
Net asset value of investor shares as per statement of financial position	62,587,653	16,477,702	79,065,355
Temporary differences	5,345	1,407	6,752
Net asset value of investor shares as at official valuation date 31 August 2012	62,592,998	16,479,109	79,072,107
Net asset value of investor shares as at official valuation Date 31 August 2012	2,485.39	836.74	-

# HERMES LINDER FUND SICAV PLC

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

Year ended 31 August 2012

### Net Asset Value per investor share (continued)

	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	23,891.83	2,500.00	26,391.83
	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	65,223,191	2,325,893	67,549,084
Net asset value of investor shares as at official valuation Date 31 August 2011	2,729.94	930.36	-
	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	57,347,570	-	57,347,570
Net asset value of investor shares as at official valuation Date 31 August 2010	2,572.97	-	-



# HERMES LINDER FUND SICAV PLC

## Portfolio statement

Year ended 31 August 2012

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	Market value 31.08.2012 EUR	% of net assets
<i>Quoted Equities</i>		
INTERPUMP GROUP WARRANTS	356,049	0.45
UNIPOL GRUPPO FINANZIARIO SPA 2013/WARRANTS	25,763	0.03
UNIPOL GRUPPO FINANZIARIO SPA 2013/WARRANTS	19,612	0.02
FLUGHAFEN WIEN AG	1,139,712	1.44
SEMPERIT HOLDING AG	177,222	0.22
OM HOLDINGS LIMITED	316,447	0.40
AMERIGO RESOURCES LTD	338,863	0.43
BANKERS PETROLEUM LTD	1,992,479	2.52
BCE INC	782,406	0.99
BOMBARDIER INC	1,488,452	1.88
CAPSTONE MINING CORP.	1,313,198	1.66
CLINE MINING CORP	193,543	0.24
INDUSTRIAL ALLIANCE INSURANCE & FINANCIAL SERVICES	626,026	0.79
MEG ENERGY CORP	1,772,617	2.24
PAN AMERICAN SILVER CORP.	1,788,528	2.26
PAN AMERICAN SILVER CORP.	1,047,203	1.32
POTASH CORP.	976,302	1.23
THOMPSON CREEK METALS COMPANY LTD	401,609	0.51
VITERRA INC	1,005,579	1.27
ACINO HOLDING AG	729,502	0.92
BUCHER INDUSTRIES SPA	666,211	0.84
UNIQUE ZURICH AIRPORT AG	3,993,833	5.05
KUONI REISEN HOLDING AG	1,146,650	1.45
MEYER BURGER TECHNOLOGY AG	853,500	1.08
SWISS NATIONAL INSURANCE COMPANY	2,294,404	2.90
VAUDOISE ASSURANCES HOLDING LTD	1,486,251	1.88
BEIJING CAPITAL INTERNATIONAL AIRPORT CO LTD	1,517,890	1.92
GESCO AG	878,226	1.11
ISRA VISION AG	486,924	0.62
KINGHERO AG	1,007,243	1.27
PNE WIND AG	468,434	0.59
POWERLAND AG	1,315,793	1.66
SCHALTBAU HOLDING AG	1,182,600	1.50
SUESS MICROTEC AG	493,964	0.62

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# HERMES LINDER FUND SICAV PLC

## Portfolio statement (continued)

Year ended 31 August 2012

	Market value 31.08.2012 EUR	% of net assets
<i>Quoted Equities (continued)</i>		
TECHNOTRANS AG NAMEN AKT	193,345	0.24
ATTICA PUBLICATIONS SPA	51,800	0.07
FYFFES PLC	1,704,243	2.16
TOTAL PRODUCE PLC	471,450	0.60
ISRAEL CHEMICALS LTD	3,128,893	3.96
BIESSE SPA PESARO	884,793	1.12
BUZZI UNICEM SPA	795,894	1.01
DANIELI & C OFFICINE MECCANICHE BUTTRIO	1,441,325	1.82
INTERPUMP GROUP SPA	576,460	0.73
ITAL TBS TELEMATIC & BIOMEDICAL SERVICES SPA	29,319	0.04
ITALMOBILIARE SPA	171,027	0.22
RATTI SPA	272,976	0.35
SOL SPA	302,164	0.38
TESMEC SPA	210,953	0.27
POSCO ADR REPR. 1/4 SH	775,883	0.98
SK TELECOM CO LTD - ADR REPR 1/9	1,285,537	1.63
BINCKBANK NV	489,549	0.62
DOCDATA NV	937,500	1.19
KAS BANK NV	1,209,600	1.53
MEDIQ NV	1,914,024	2.42
ASL MARINE HOLDINGS LTD	359,766	0.46
BREADTALK GROUP LTD	125,927	0.16
CHINA MINZHONG CORPORATION LTD	709,770	0.90
CWT LTD	1,079,999	1.37
DBS GROUP HOLDINGS LTD	469,294	0.59
FOOD EMPIRE HOLDINGS LTD	692,369	0.88
HUPSTEEL LTD	302,303	0.38
JAYA HOLDINGS LTD	769,554	0.97
LIAN BENG GROUP LTD	537,161	0.68
PACIFIC ANDES RESOURCES DEVELOPMENT LTD	823,613	1.04
QINGMEI GROUP HOLDINGS LTD	65,126	0.08
SOUND GLOBAL LTD	767,964	0.97
SUPER GROUP LTD	1,284,709	1.62
SWIBER HOLDINGS LTD	750,474	0.95
UNITED OVERSEAS BANK LTD	910,695	1.15
YHI INTERNATIONAL LTD	578,991	0.73
APACHE CORP.	680,286	0.86

# HERMES LINDER FUND SICAV PLC

## Portfolio statement (continued)

Year ended 31 August 2012

	Market value 31.08.2012 EUR	% of net assets	
<b>Quoted Corporate Bonds</b>			
ASSICURAZIONI GENERALI SPA 6.41% FR	3,554,764	4.50	
GENERALI FINANCE B.V. 6.21% FR	2,460,780	3.11	
INTESA SANPAOLO SPA 6.37% 2017	1,796,299	2.27	
UNICREDIT SPA 6.37% 2018	1,041,407	1.32	
<b>Quoted Convertible Bonds</b>			
SOUND GLOBAL CONVERSION DUAL CURRENCY 6% 2015	547,028	0.69	
<b>Derivatives – Options</b>			
APACHE September 2012 Call Strike @ 87.5	(9,679)	(0.01)	
GAM September 2012 Put Strike @ 11	(2,323)	(0.00)	
GAM September 2012 Put Strike @ 11.5	(5,429)	(0.01)	
GENERALI September 2012 Call Strike @ 12	2,435	0.00	
POTASH September 2012 Put Strike @ 40	(15,946)	(0.02)	
GENERALI October 2012 Call Strike @ 12	3,400	0.00	
<b>Derivatives - Forward Forex Contracts</b>			
	<i>Fair value</i>		
Sale of EUR against ILS maturing on 20 September 2012	(121,059)	3,455,186	4.37
Sale of ILS against EUR maturing on 20 September 2012	122,266	(3,455,186)	(4.37)
Sale of AUD against EUR maturing on 26 September 2012	1,371	(384,350)	(0.49)
Sale of EUR against CAD maturing on 26 September 2012	(20,850)	1,204,941	1.52
Sale of CAD against EUR maturing on 26 September 2012	(54,732)	(7,599,159)	(9.61)
Sale of GBP against EUR maturing on 26 September 2012	10,719	(8,861,688)	(11.21)
Sale of HKD against EUR maturing on 26 September 2012	33,516	(1,375,451)	(1.74)
Sale of EUR against USD maturing on 26 September 2012	(8,050)	356,913	0.45
Sale of USD against EUR maturing on 26 September 2012	92,273	(3,945,875)	(4.99)
<b>Derivatives - Futures</b>			
	<i>Fair value</i>		
FUTURE EUREX-EUR BTP SEP 12	(116,570)	(4,649,680)	(5.88)
FUTURE AEX-AMSTERDAM INDEX SEP 12	7,100	(658,700)	(0.83)
FUTURE EUREX-DAX INDEX SEP 12	(21,250)	(871,188)	(1.10)
FUTURE IDEM-FTSE MIB INDEX SEP 12	(1,079,620)	(6,949,220)	(8.79)

# HERMES LINDER FUND SICAV PLC

## Portfolio statement (continued)

Year ended 31 August 2012

	Market value 31.08.2011 EUR	% of net assets
<b>Quoted Equities</b>		
INTERPUMP GPOUP WARRANTS	1,093,797.73	1.62
UNIPOL GRUPPO FINANZIARIO SPA 2013/WARRANTS	35,872.32	0.05
UNIPOL GRUPPO FINANZIARIO SPA 2013/WARRANTS	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 - PARTIZIPSCHE	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

# HERMES LINDER FUND SICAV PLC

## Portfolio statement (continued)

Year ended 31 August 2012

	Market value 31.08.2011 EUR	% of net assets
<i>Quoted Equities (continued)</i>		
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

# HERMES LINDER FUND SICAV PLC

## Portfolio statement (continued)

Year ended 31 August 2012

		Market value 31.08.2011 EUR	% of net assets
<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)	(490,435)	(0.73)
Purchase of CAD against EUR maturing on 08 September 2011	2,592	202,413	0.30
Sale of CAD against EUR maturing on 08 September 2011	112,510	(7,316,713)	(10.83)
Sale of CHF against EUR maturing on 08 September 2011	717,662	(10,820,839)	(16.02)
Sale of HKD against EUR maturing on 08 September 2011	11,164	(731,267)	(1.08)
Sale of ILS against EUR maturing on 08 September 2011	107,514	(3,435,534)	(5.09)
Sale of USD against EUR maturing on 08 September 2011	29,094	(1,816,428)	(2.69)
Sale of USD against EUR maturing on 24 February 2012	(276)	(452,387)	(0.67)
<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 2012

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	<b>% of net assets 31.08.2012 EUR</b>	<b>% of net assets 31.08.2011 EUR</b>
Quoted Equities	<b>78.46</b>	90.29
Quoted Corporate Bonds	<b>11.20</b>	-
Quoted Convertible Bonds	<b>0.69</b>	0.72
Derivative Financial Assets	<b>0.07</b>	1.44
Derivative Financial Liabilities	<b>(0.03)</b>	(0.30)

## **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 ("the Company") set out on pages seven to thirty-seven, which comprise the statement of financial position as at 31 August 2012, the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable shares 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 Hermes Linder Fund SICAV PLC 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 audit opinion.

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## **Independent auditor's report (continued)**

to the members of

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

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#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Hermes Linder Fund SICAV PLC ("the Company") as at 31 August 2012, and of its financial performance and its cash flows for the year 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).



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

12 December 2012

# HERMES LINDER FUND SICAV PLC

## Manager's report

Year ended 31 August 2012

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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 Investment Services Act (Marketing of UCITS) Regulations 2011 (Legal Notice 241 of 2011).

### 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' fundamentals, 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 investment purposes.

### Report of the Investment Manager

During the period September to December 2011, equity markets braced themselves for another volatile period dominated by events in the Eurozone. In particular, we witnessed a tale of two halves in October and November 2011. Investors gained risk appetite during October. However, political and economic turmoil in Greece and Italy gave way to a market sell off during November. Sentiment picked up in December following encouraging economic data from the US and the announcement of three year Long Term Refinancing Operation (LTRO), which saw one trillion Euros provided to Europe's most needy banks on three year terms at 1%.

Up to reporting month August 2012, the year was a relatively good one for equities, considering the macroeconomic uncertainties emanating from the Eurozone debt crisis, and fear of slower growth in China and the US. Global equity markets posted strong returns during Q1 2012. Risk was definitely rewarded. Emerging markets enjoyed the best quarter since the third quarter of 2010, with most experiencing double digit positive returns. Following a positive start to the year, investor sentiment deteriorated during the second quarter. Risk appetite weakened as the effects of the ECB's LTRO faded and macroeconomic data disappointed. Q2 2012 was dominated by growing concerns on risks to political and economic stability of the Eurozone. Spanish and Italian government bond yields escalated to unsustainable high levels. Deteriorating economic indicators added to the gloom with Eurozone manufacturing PMI index declining, business sentiment deteriorating, unemployment in the region reaching 11.1% in May 2012 and fears that Spain may end up formally requesting assistance with possibly, also Italy following suit as a result in the short term.

Equity markets however rallied during July and August as expectations rose of central bank intervention to boost economies globally, fuelled by comments made by the European Central Bank Governor and the US Federal Reserve Chairman.

# HERMES LINDER FUND SICAV PLC

## Manager's report

Year ended 31 August 2012

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During the past financial year, the principal driver of successful investment strategies was based on the ability to predict the actions of European Authorities which were deliberately meant to influence market sentiment. Any analysis of fundamentals had to give way to forecasts of interventions by governments and the European Central Bank which in turn significantly impacted market sentiment. This could be evidenced following the declaration made during the Madrid summit on 29<sup>th</sup> June 2012 and the statements of the ECB President who confirmed his strong commitment to do whatever it takes to preserve the Euro. These statements were sufficient to prop up overall confidence despite a scenario of declining key macro indicators in Europe especially those in peripheral countries.

The investment strategy adopted by the Investment Manager has been consistently built around a deep scrutiny of fundamentals. In this specific instance, the frequent announcements hitting the headlines tended to be given more weight by the market than economic realities. The Manager opted to pursue a cautious stance by selecting stocks based on fundamental criteria in an endeavour to mitigate risk as much as possible.

Furthermore, the Manager continued to adopt a policy of broad geographical diversification by increasing further the exposure to non-European markets in order to mitigate increasing level of risk in European markets. Positions in Basic Material Stocks were maintained, which positions negatively affected the Fund's performance but which, within the context of moderate economic growth seemed to be an acceptable hedge against the printing of money by Central Banks. Although an increased level of confidence in the Mediterranean countries of the EU may have rewarded investors during the last two months of the financial year, an investment strategy built around fundamentals but within the context of the mediocre results obtained by governments in their efforts to sort out their public finances, may have thwarted the Fund from participating in the sudden market upside, which was a result more of headline news and announcements rather than lasting solutions.

In this context, the Manager still kept the view that it was in the best interest of investors to maintain a cautious stance as economic fundamentals, however, did not change. The Manager will continue with the strategy of identifying companies with low valuations but earnings power and taking a defensive stance during market sell-offs that are seen to be driven by macro and political issues.

On 31 August 2012, the Net Asset Value of the Hermes Linder Fund Class A Shares was €2,485.39 (31 August 2011: €2,729.94) and the Net Asset Value of the Hermes Linder Fund Class B Shares was €836.74 (31 August 2011: €930.36).

# HERMES LINDER FUND SICAV PLC

## Manager's report

Year ended 31 August 2012

### Ten Largest Holdings as at 31 August 2012.

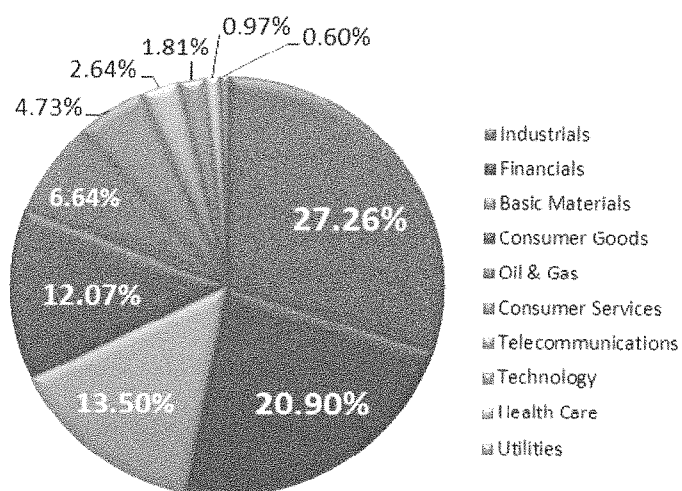
Rank	Equity	Type	Country	Industry	% of Portfolio
1	Flughafen Zurich	Equity	Switzerland	Industrials	5.09%
2	Assicurazioni Generali	Bond	Italy	Financials	4.57%
3	Israel Chemicals	Equity	Israel	Basic Materials	3.99%
4	Pan American Silver Corp	Equity	Canada	Basic Materials	3.62%
5	Generali Finance BV	Bond	Italy	Financials	3.12%
6	Swiss National Insurance	Equity	Switzerland	Financials	2.92%
7	Bankers Petroleum	Equity	Canada	Oil & Gas	2.54%
8	Mediq NV	Equity	Netherlands	Consumer Services	2.44%
9	Intesa Sanpaolo	Bond	Italy	Financials	2.28%
10	Meg Energy Corp	Equity	Canada	Oil & Gas	2.26%

# HERMES LINDER FUND SICAV PLC

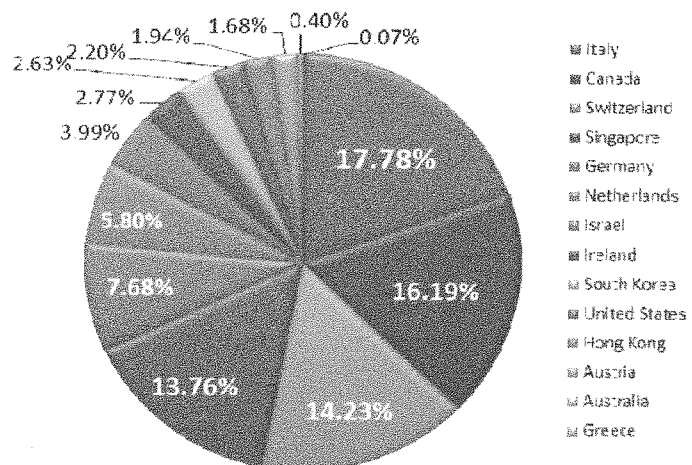
## Manager's report

Year ended 31 August 2012

### Industrial Diversification as at 31 August 2012.



### Geographical Distribution as at 31 August 2012



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# HERMES LINDER FUND SICAV PLC

## Manager's report

Year ended 31 August 2012

### Asset Allocation as at 31 August 2012.

	% of NAV
Quoted Equities	78.46
Quoted Corporate Bonds	11.20
Quoted Convertible Bonds	0.69
Cash and Cash Equivalents	7.80
Initial Margin	1.21
Accrued Income	0.70
Forwards	0.07
Quoted Options	(0.03)

### Published Net Asset Value Per Share, Number of Shares and Net Asset Value

31 August 2011

Share Class	Net Asset Value per share	Number of Shares in Issue	Net Asset Value
A	€ 2,729.94	23,891.83	€ 65,223,191.02
B	€ 930.36	2,500	€ 2,325,893.60
C	N/A	N/A	N/A

31 August 2012

Share Class	Net Asset Value per share	Number of Shares in Issue	Net Asset Value
A	€ 2,485.39	25,184.39	€ 62,592,997.46
B	€ 836.74	19,694.50	€ 16,479,109.22
C	N/A	N/A	N/A

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



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


12<sup>th</sup> December 2012

Hermes Linder Fund SICAV p.l.c.

## Report of the Custodian

We, Bank of Valletta p.l.c., as Custodian to the Hermes Linder Fund SICAV p.l.c ("the Scheme") hereby confirm that having enquired into the conduct of the Manager during the year ended 31<sup>st</sup> August 2012, it is our opinion that during this year, the Company and its Funds have been managed:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of each Fund by the constitutional documents and by the Malta Financial Services Authority;
- (ii) otherwise in accordance with the provisions of the constitutional documents and the Fund's license conditions.



Lino Calleja  
Head Custody Operations  
Bank of Valletta p.l.c.



Annabelle Muscat  
Compliance Manager Custody Operations  
Bank of Valletta p.l.c.