

APS Funds SICAV p.l.c.

**Annual Report
& Financial Statements**
for the year ended 31 December 2010



APS Funds SICAV p.l.c.

Annual Report and Financial Statements for the year ended 31 December 2010

APS Centre,
Tower Street, Birkirkara BKR 4012 - Malta

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www.apsbank.com.mt
info@apsfunds.com.mt

Notice of the Third Annual General Meeting

In terms of Article 19 of the Articles of Association

Notice to shareholders is hereby being given of the Third Annual General Meeting of the APS Funds SICAV p.l.c. to be held at the San Anton Suite, Corinthia Palace Hotel & Spa, De Paule Avenue, San Anton, Attard BZN 9023 on Friday 6 May 2011 at 5.30 p.m. for the purpose of considering the following Agenda.

AGENDA

Approval of Accounts

That the Statements of Comprehensive Income and Statements of Financial Position as at 31 December 2010 and the Directors' and the Independent Auditor's Reports thereon be hereby approved.

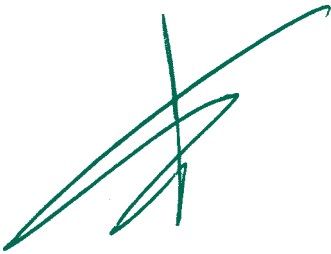
Auditors - Appointment and Remuneration

That the appointment of Ernst & Young Malta Limited as Auditors be hereby approved, and the Board of Directors be hereby authorised to fix their remuneration.

Appointment of Directors

That the Directors be hereby appointed.

By order of the Board



Dr. Jessica Koren Casha
For and on behalf of
Valletta Fund Services Limited
Company Secretary

17 March 2011

NOTES:

1. This Notice has been mailed to all shareholders registered as at the 16 March 2011 which shareholders are entitled to attend and vote at the Annual General Meeting.
2. A shareholder entitled to vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy; such proxy need not also be a shareholder. To be valid this Form of Proxy must reach the Office of the Company Secretary at Valletta Fund Services Limited, TG Complex, Suite 2, Level 3, Brewery Street, Mriehel, Birkirkara BKR 3000, Malta, not less than 48 hours before the appointed date and time of the Meeting.
3. In the case of joint holders of a share the vote of the first named of joint holders who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.
4. The Company will receive nominations for Directors at the registered office of the Company pursuant to Article 22.7 of the Articles of Association at least ten days before the appointed date and time of the Meeting.
5. Any body corporate which is a Member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Meeting and the person so authorized shall be entitled to exercise the same powers on behalf of the body corporate which she/he represents as that body corporate could exercise if it were an individual Member and such body corporate shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorised is present thereat.
6. Please note that if you have sold or transferred ALL your shares in the APS Funds SICAV p.l.c., you are kindly requested to disregard this Notice.

Avviż tat-Tielet

Laqgħa Ġenerali Annwali

A termini tal-Artiklu 19 tal-Artikli tal-Assoċjazzjoni

Bil-preżenti, l-azzjonisti huma avżati li t-Tielet Laqgħa Ġenerali Annwali tal-APS Funds SICAV p.l.c. ser tinżamm fis-San Anton Suite, Corinthia Palace Hotel & Spa, De Paule Avenue, San Anton, Attard BZN 9023 nhar il-Ġimgħa 6 ta' Mejju 2011 fil-ħamsa u nofs ta' filgħaxija, bil-għan illi l-Laqgħa tikkunsidra s-segwentni Aġenda.

AĠENDA

Approvazzjoni tal-Kontijiet

Illi l-Kontijiet tal-Qliġ u l-Karti tal-Bilanċ għas-sena li għalqet fit-31 ta' Diċembru 2010, kif ukoll ir-Rapporti tad-Diretturi u tal-Awditur Indipendenti għall-istess sena, huma hawn approvati.

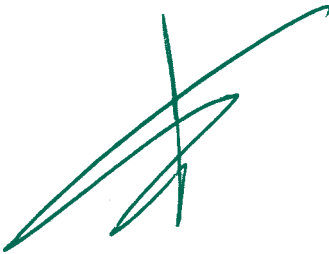
Awdituri - hatra u iffissar ta' hlas

Illi l-hatra ta' Ernst & Young Malta Limited bħala Awdituri tiġi hawn approvata, u l-Bord tad-Diretturi huwa hawn awtorizzat jistabilixxi l-hlas tagħhom.

Hatra ta' Diretturi

Illi d-Diretturi huma hawn appuntati.

B'ordni tal-Bord



Dr. Jessica Koren Casha
Għan-nom ta'
Valletta Fund Services Limited
Segretarja tal-Kumpanija

17 ta' Marzu 2011

NOTI:

1. Dan l-Avviz intbagħat lill-azzjonisti kollha li kienu rreġistrati fl-16 ta' Marzu 2011 liema azzjonisti għandhom id-dritt li jattendu u jivvutaw fil-Laqqha Ġenerali Annwali.
2. Kull azzjonist intitolat li jivvota, jista' jahtar prokuratur biex jattendi minflok, billi jimla l-Formola tal-Prokura hawn annessa. Il-prokuratur mhux bilfors ikun azzjonist. Biex tkun valida, l-Formola tal-Prokura trid tasal fl-Uffiċċju tal-Valletta Fund Services Limited bħala Segretarja tal-Kumpanija, li jinsab TG Complex, Suite 2, Level 3, Brewery Street, Mrieħel, Birkirkara BKR 3000, Malta, mhux aktar tard minn 48 siegħa qabel il-jum u l-hin appuntat għal-Laqqha.
3. Fil-każ ta' pussessuri kongunti ta' sehem, il-vot ta' min hu msemmi l-ewwel mill-pussessuri kongunti li jiffa' l-vot tiegħu kemm jekk hu personali jew permezz ta' prokura, ikun aċċettat bl-esklużjoni tal-voti tal-pussessuri kongunti l-oħra.
4. Il-Kumpanija tircievi nominazzjonijiet għall-Ħatra ta' Diretturi fl-indirizz irreġistrat tal-Kumpanija skont l-Artiklu 22.7 tal-Artikli tal-Assoċjazzjoni sa mhux anqas minn għaxart ijiem qabel il-jum u l-hin appuntat għal-Laqqha.
5. Kull kumpanija li hija Membru tista' tawtorizza permezz ta' riżoluzzjoni tad-Diretturi tagħha jew ta' korp ta' governanza ieħor dik il-persuna li fil-fehma tagħha hija adatta li taġixxi bħala r-rappreżentant tagħha fil-Laqqha u dik il-persuna hekk awtorizzata għandha tkun intitolata li teżercita l-istess poteri f'isem il-kumpanija li hija tirrappreżenta daqs li kieku l-kumpanija tista' teżercita li kieku kienet Membru individwali u dik il-kumpanija għandha għall-finijiet ta' dawk preżenti titqies li hija preżenti in persona f'kull laqqha bħal din jekk il-persuna hekk awtorizzata hija preżenti fihom.
6. Jekk int begħt jew ittrasferajt l-ishma KOLLHA li kellek fl-APS Funds SICAV p.l.c., inti gentilment mitlub/ a tinjora dan l-Avviz.

N.B: Il-verżjoni bl-Ingliż hija l-verżjoni ufficjali.

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Management and Administration

DIRECTORS

Dr. Mario Felice
9, Bastion Square,
Mdina MDN 1150,
Malta

Mr. George Cassola
96, St. Francis Street,
Balzan BZN 1424,
Malta

Mr. Joseph Xuereb
33, L'Etoile,
Triq l-Ghejjel,
Gudja GDJ 1852,
Malta
(Resigned on 30th October 2010)

Mr. Joseph C. Caruana
90, Arcadia,
Mosta Road,
Attard ATD 1430,
Malta
(Appointed on 1st February 2011)

REGISTERED OFFICE

APS Centre,
Tower Street,
Birkirkara BKR 4012,
Malta

COMPANY REGISTRATION NUMBER

SV78

INVESTMENT MANAGER

APS Bank Limited
APS Centre,
Tower Street,
Birkirkara BKR 4012,
Malta
*Licensed to conduct Investment
Services business by the Malta
Financial Services Authority.*

**ADMINISTRATOR AND
COMPANY SECRETARY**

Valletta Fund Services Limited
TG Complex, Suite 2, Level 3,
Brewery Street,
Mrieħel,
Birkirkara BKR 3000,
Malta

*Recognised to provide fund
administration services by the Malta
Financial Services Authority.*

CUSTODIAN

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

*Licensed to conduct investment
services business by the Malta
Financial Services Authority.*

BANKERS

APS Bank Limited
APS Centre,
Tower Street,
Birkirkara BKR 4012,
Malta

AUDITORS

Ernst & Young Malta Limited
Regional Business Centre,
Achille Ferris Street,
Msida MSD 1751,
Malta

LEGAL ADVISORS

Ganado and Associates Advocates
171, Old Bakery Street,
Valletta VLT 1455,
Malta

Description

APS Funds SICAV p.l.c. (the "Company") is a company organised as a multi-fund investment company with variable share capital pursuant to the Companies Act [Cap. 386 of the Laws of Malta] registered on the 24 January 2008. The Company consists of one fund, the APS Income Fund. The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act 1994 [Cap. 370 of the Laws of Malta]. The APS Income Fund is listed on the Malta Stock Exchange. The Company has no employees.

Significant changes made during the reporting period:

On 30th October 2010, Mr. Joseph Xuereb of 33, L'Etoile, Triq L-Ghelejjeġ, Gudja GDJ 1852, Malta, resigned from his post as Director.

Changes made after the reporting period:

On 1st February 2011, the Prospectus and the Supplement to the Prospectus in relation to the APS Income Fund were updated to reflect:

- (i) the change of registered address from APS House, 20, St. Anne Square, Floriana FRN 9020 to APS Centre, Tower Street, Birkirkara BKR 4012, Malta.
- (ii) the appointment of Mr. Joseph C. Caruana of 90, Arcadia, Mosta Road, Attard ATD 1430, Malta as Director.

Investment Manager's Report

Overview of salient events in the financial markets in 2010

Europe

The New Year dawned with the premise that 2010 would be the year of the global economic recovery. After the turmoil of 2008 and the stabilisation efforts by governments and central banks in the following year, prospects for 2010 were optimistic. Asset prices held on to the gains of 2009, and there were no clouds on the horizon. In early March, the financial markets became concerned at the state of government finances in Greece as the new government revealed that the previous government had misled about the state of the country's finances. Markets were faced with the previously unthinkable prospect of a restructuring of the debt of a Euro area economy. The market's reaction was to sell Greek debt on a large scale. This caused interest rates on Greek government bonds to rise to more than 11% from 4% only weeks before. A credit downgrade soon followed. As the crisis threatened to spread to other weak Euro area countries, the European Union, the European Central Bank and the International Monetary Fund launched a financial aid package to stem the contagion. The package amounted to € 110 billion, but market concern that the crisis could spread did not abate. Seven days after the Greek rescue package, the EU agreed to create a standby facility of up to € 750 billion. The European Financial Stability Facility (EFSF), as it became known, was intended to rescue other EU countries, if the need arose. The markets cheered the creation of the EFSF, but the enthusiasm was short-lived.

After the rescue of Greece, the spotlight turned to Portugal, then Spain, Italy, Belgium then finally Ireland. Major investors came to realise that the EFSF could not rescue all these countries. The internal disagreements among the EU, ECB and the national governments created further uncertainty. As the days and weeks passed, with no solution in sight, many prominent economists and financial journalists were openly questioning whether the Euro would survive this crisis. In the beginning of autumn 2010, Ireland became the focus of the world's financial concerns. The Irish banking system was saddled with huge bad debts, mainly as a result of a huge property boom. The Irish Government nationalised all the Irish banks, effectively shifting the bad loans onto the government's balance sheet. Instantly, the Irish government deficit soared to 32% of Gross Domestic Product, as opposed to the 3% deficit limit under the Maastricht criteria. The markets calculated that, without outside help, the country would default. As a result yields on Irish debt soared. Finally the Irish government caved in to the pressure from the EU and accepted an economic assistance package amounting to € 85 billion.

Investment

Manager's Report

(continued)

Rest of the world

In the US, the economy started showing signs of recovery in retail sales, industrial production and, crucially, employment. Notwithstanding these improvements, the recovery was not reflected in increased jobs. In November, the Obama administration was punished by the electorate that had not been seeing any recovery. On the other hand, company profits recovered to pre-crisis levels, pushing the Dow Jones equity index to levels last seen before the collapse of Lehman Brothers. Companies were hoarding cash, eager to avoid the liquidity crunch experienced in 2008 and 2009.

In China, the economy continued to power ahead, surging exports, wealth and disposable incomes contributing to its economic growth. The increasing affluence of China's huge population has also been blamed for the increases in the prices of basic commodities like wheat, copper and fuel.

Malta

Malta was not deeply affected by the turmoil in the Euro area debt markets. The Maltese government's finances, although not entirely in line with the Maastricht criteria, were not perceived as an issue of concern. The fact that almost all Maltese debt, both government and domestic, is owned by Maltese residents, helped insulate the economy from financial speculation. 2010 was also another record year for capital market activity on the Malta Stock Exchange. Issuance of Corporate and Government bonds reached an all-time high with local companies issuing € 301 million in bonds and € 20 million in shares. The Government also came to the markets with another € 550 million in Malta Government Stocks. Except for the one equity issue, all bonds were oversubscribed.

Yields on government bonds rose considerably in the second half of 2010, shadowing a similar move by German government bonds. The root cause of the shift in the yields was caused mainly by the prospect of the increasing funds required to bail out the weaker Euro area members.

Local equities enjoyed a good year with Bank of Valletta gaining 18% and MIA and Maltapost reaching their all time highs. Overall the Malta Stock Exchange Index gained almost 9% during 2010.

APS Income Fund

Investment Objective

The investment objective of the Fund is to endeavour to maximise the total level of return for investors, minimising the volatility of the portfolio, whilst having regard to attaining a desirable level of liquidity, through investment, principally, in Maltese debt and equity securities. To a limited extent, the Fund may also invest in international debt and equity securities.

Fund Performance

Accumulator Class of shares

During the year from 31 December 2009 to 31 December 2010, the quoted share price of the APS Income Fund accumulator class of shares increased by 5.25% from € 106.44 to € 112.03.

Distributor Class of shares

During the year from 31 December 2009 to 31 December 2010, the quoted share price of the APS Income Fund distributor class of shares increased by 1.30% from € 101.55 to € 102.87.

Dividend Distribution

The dividend declared for the year ended 31 December 2010 is listed under note 10 on page 39.

Outlook

In the economic scenario prevailing in 2010, the Fund invested in a mixture of longer dated Malta Government Stocks and shorter dated local corporate bonds to increase yield without increasing duration excessively. The Fund also invested in a small selection of international bonds at attractive yields and bank deposits. For 2011 we anticipate the start of a rising interest rate cycle across the world. Therefore, the Fund will be positioned towards shorter-dated investments to retain sufficient liquidity to allow reinvestment at higher rates.

Some of the opinions expressed herein are of a forward-looking nature and should not be interpreted as investment advice.

The Fund's performance figures listed above have been truncated to two decimal places.

Report of the Directors

The Directors are hereby laying before and for approval by the Company at this Annual General Meeting, the Annual Report and Financial Statements of the Company for the year ended 31 December 2010.

Principal Activities

The Company is organised as a multi-fund investment company with variable share capital (SICAV) pursuant to the Companies Act [Cap. 386 of the Laws of Malta]. The Company was registered on the 24 January 2008 and is licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act [Cap. 370 of the Laws of Malta]. The Company consists of one fund, the APS Income Fund. The Company has no employees.

Details of 'Significant Changes to the Company Documents' effected during the period under review, can be found on page 10.

Review of Business

The net assets attributable to Shareholders as at 31 December 2010 stood at €20,411,254.

Results and Dividends

The results for the year under review can be found on the Statements of Comprehensive Income on page 27. The dividend declared for the year ended 31 December 2010 with respect to the APS Income Fund distributor class of shares can be found under note 10 on page 39.

Directors

The Directors of the Company who held office during the year under review are listed on page 8.

Auditors

Ernst & Young Malta Limited have indicated their willingness to continue in office and a resolution for their appointment will be proposed at the Annual General Meeting.

Standard Licence Conditions and Regulatory Sanctions

For the year under review, there were no breaches to the Company's Standard License Conditions and no regulatory sanctions were imposed on the Company.

On behalf of the Board

Dr. Mario Felice
Chairman

Mr. George Cassola
Director

17 March 2011

Rapport tad- Diretturi

Id-Diretturi qegħdin hawn jipprezentaw lill-APS Funds Sicav p.l.c. (“il-Kumpanija”) ir-Rapport Annwali u l-Kontijiet Annwali tal-Kumpanija għall-perjodu li għalaq fil-31 ta’ Diċembru 2010 sabiex jiġu approvati tul din il-Laqqgħa Generali Annwali.

Attivitajiet Prinċipali

Il-Kumpanija hija mwaqqfa bħala kumpanija ta’ investiment b’kapital azzjonarju varjabbli (SICAV) multi-fund taħt l-Att dwar il-Kumpaniji [Kap. 386 tal-Liġijiet ta’ Malta]. Il-Kumpanija giet irreġistrata nhar l-24 ta’ Jannar 2008 u hija liċenzjata mill-Awtorita’ Maltija għas-Servizzi Finanzjarji bħala Skema ta’ Investiment Kollettiv taħt l-Att dwar Servizzi ta’ Investiment 1994 [Kap. 370 tal-Liġijiet ta’ Malta]. Il-Kumpanija tikkonsisti minn fond wiehed, l-APS Income Fund. Il-Kumpanija m’għandha ebda impjegat.

Dettalji tat-Tibdil Sostanzjali għad-Dokumenti tal-Kumpanija jinsabu f’paġna 10.

Rendikont tal-Attività’ tal-Kumpanija

L-assi netti attribwibbli lill-Azzjonisti sa nhar il-31 ta’ Diċembru 2010 kellhom valur ta’ €20,411,254.

Riżultati u Dividend

Ir-riżultati għall-perjodu li tiegħu qiegħed hawn jingħata rendikont jinsabu fil-Kontijiet tal-Qliġ li hemm fuq paġna 27. Id-dividend iddikjarat għall-perjodu li għalaq fil-31 ta’ Diċembru 2010 għall-ishma fl-APS Income Fund li jqassmu dħul jinsab f’nota 10 f’paġna 39.

Diretturi

Id-Diretturi li servew tul il-perjodu li tiegħu qiegħed hawn jingħata rendikont jinsabu f’paġna 8.

Awdituri

Ernst & Young Malta Limited urew ix-xewqa li jibqgħu awdituri tal-Kumpanija. Għaldaqstant sejra tiġi pprezentata riżoluzzjoni f’dan is-sens f’din il-Laqqgħa Generali Annwali.

Standard Licence Conditions u Sanzjonijiet Regulatorji

Tul il-perjodu li tiegħu qiegħed hawn jingħata rendikont ma' kien hemm ebda ksur ta' xi Standard Licence Condition applikabbli għall-Kumpanija u ebda sanzjoni regulatorja ma għiet imposta fuq il-Kumpanija.

F'isem il-Bord

Dr. Mario Felice
Chairman

Mr. George Cassola
Direttur

17 ta' Marzu 2011

Statement of Directors' Responsibilities

The Directors are required by the Companies Act [Cap. 386 of the Laws of Malta] to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- (i) ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- (ii) selecting and applying appropriate accounting policies;
- (iii) making accounting estimates that are reasonable in the circumstances;
- (iv) ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act [Cap. 386 of the Laws of Malta]. 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.

Independent Auditor's Report

to the Shareholders of APS Funds SICAV p.l.c.

We have audited the financial statements of APS Funds SICAV p.l.c. set out on pages 24 to 47 which comprise the statements of financial position as at 31 December 2010 and the statements of comprehensive income, statements of changes in net assets attributable to shareholders and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act [Cap. 386 of the Laws of Malta]. As described in the Statement of Directors' Responsibilities on page 18 this responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Independent Auditor's Report *(continued)*

to the Shareholders of APS Funds SICAV p.l.c.

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2010, 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 European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act [Cap. 386 of the Laws of Malta].

Report on other Legal and Regulatory Requirements

We also have responsibilities under the Companies Act [Cap. 386 of the Laws of Malta], to report to you if in our opinion:

- the information given in the Directors' Report is not consistent with the financial statements.
- adequate accounting records have not been kept.
- the financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Ernst & Young Malta Limited

Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

Anthony P. Doublet

17 March 2011

Rapport tal-Awditur Indipendenti

lill-Azzjonisti tal-APS Funds SICAV p.l.c.

Ilverifikajna d-dikjarazzjonijiet finanzjarji tal-APS Funds SICAV p.l.c. kif murija f'paġni 24 sa 47 li jinkludu l-karti tal-bilanċ fil-31 ta' Diċembru 2010, l-kontijiet tal-qligħ u telf, analiżi ta' kambjamenti fl-attiv nett attribwit lill-azzjonisti u analiżi tad-dhul u l-hruġ tal-flus għas-sena li għalqet, kif ukoll sinteżi tal-prinċipji ta' kontabilita` ewlenin u noti oħra ta' spjegazzjoni.

Ir-responsabbilita` tad-Diretturi għad-Dikjarazzjonijiet Finanzjarji

Id-Diretturi huma responsabbli għall-preparazzjoni u l-prezentazzjoni ġusta ta' dawn id-dikjarazzjonijiet finanzjarji skont l-International Financial Reporting Standards kif addottati mill-Unjoni Ewropea u skont kif stipulat mill-Att dwar il-Kumpaniji [Kap. 386 tal-Liġijiet ta' Malta], kif spjegat fid-Dikjarazzjonijiet tar-responsabbilitajiet tad-Diretturi f'paġna 18. Ir-responsabbilita` tinkludi l-ippjanar, l-implimentazzjoni u l-manteniment ta' kontrolli nterni rilevanti għall-preparazzjoni u l-prezentazzjoni ġusta tad-dikjarazzjonijiet finanzjarji li ma jinkludux informazzjoni li materjalment ma tirriflettix ir-realta`, dovuta kemm għal frodi kif ukoll żbalji; l-għażla u l-użu ta' policies tal-accounting li huma xierqa; u li jsiru stimi finanzjarji li huma raġonevoli fiċ-ċirkostanzi.

Responsabbilita` tal-Awditur

Ir-responsabbilita` tagħna hi li nesprimu opinjoni dwar dawn id-dikjarazzjonijiet finanzjarji abbażi tal-verifikazzjoni tagħna. Għamilna l-verifika tagħna skont International Standards on Auditing. Dawn l-istandards jeżiġu minna li nimxu skont l-etika meħtieġa u li nippjanaw u naghmlu l-verifika sabiex b' mod raġonevoli nassiguraw li d-dikjarazzjonijiet finanzjarji ma jinkludux informazzjoni li materjalment ma tirriflettix ir-realta`.

Il-verifika tad-dikjarazzjonijiet finanzjarji tirrikjedi proċeduri sabiex tinkiseb l-evidenza meħtieġa għall-verifika tal-ammonti u l-ispejgazzjonijiet inklużi fid-dikjarazzjonijiet finanzjarji. Il-proċeduri magħżula huma skont il-fehma ta' l-awditur, li jinkludu valutazzjoni tar-riskji ta' informazzjoni fid-dikjarazzjonijiet finanzjarji li materjalment ma jirriflettix ir-realta`, kemm minhabba frodi kif ukoll żbalji. F'din il-valutazzjoni, l-awditur jikkunsidra l-kontrolli nterni rilevanti għall-preparazzjoni u l-prezentazzjoni ġusta tad-dikjarazzjonijiet finanzjarji tal-entita` sabiex jadotta proċeduri ta' verifika addotti għaċ-ċirkostanzi, iżda mhux għall-fini li jesprimi opinjoni dwar kemm il-kontrolli nterni tal-entita` huma effettivi. Il-verifika tad-dikjarazzjonijiet finanzjarji tinkludi wkoll evalwazzjoni ta' kemm il-policies tal-accounting użati huma xierqa u kemm l-istimi finanzjarji magħmula mid-diretturi huma raġonevoli, kif ukoll evalwazzjoni ġenerali tal-prezentazzjoni tad-dikjarazzjonijiet finanzjarji.

Aħna nemmnu li l-evidenza miksuba matul il-proċess ta' verifika tad-dikjarazzjonijiet finanzjarji hija suffiċjenti u xierqa sabiex tipprovdi bażi għall-opinjoni tagħna.

Rapport tal-Awditur Indipendenti *(ikompli)*

lill-Azzjonisti tal-APS Funds SICAV p.l.c.

Opinjoni

Fil-fehma tagħna, id-dikjarazzjonijiet finanzjarji:

- juru qagħda sewwa u korretta tal-istat finanzjarju tal-kumpanija fil-31 ta' Dicembru 2010, u tar-riżultat finanzjarju u d-dħul u l-hruġ tal-flus tagħha għas-sena li għalqet, skont l-International Financial Reporting Standards kif addottati mill-Unjoni Ewropea; u
- huma konformi mad-dispożizzjonijiet ta' l'Att dwar il-Kumpaniji [Kap. 386 tal-Liġijiet ta' Malta].

Rapport dwar obligazzjonijiet Legali u Regulatorji oħra

Skont l-att dwar il-Kumpaniji [Kap. 386 tal-Liġijiet ta' Malta], għandna wkoll ir-responsabbilita' li nirrapurtawlkom jekk fl-opinjoni tagħna:

- it-tagħrif mogħti fir-Rapport tad-Diretturi ma jkunx jaqbel mad-dikjarazzjonijiet finanzjarji.
- ma jkunux inżammu records xierqa tal-kontijiet finanzjarji.
- id-dikjarazzjonijiet finanzjarji ma jkunux jaqblu ma records tal-kontijiet.
- ma nkunux ksibna t-tagħrif u l-ispjegazzjonijiet kollha meħtieġa għall-finijiet tal-verifika tagħna.
- fid-dikjarazzjonijiet finanzjarji hemm nuqqas ta' ċertu tagħrif dwar ir-rimunerazzjoni tad-diretturi kif meħtieġ mill-liġi, u ninkludu d-dettalji meħtieġa fir-rapport tagħna.

M' għandna xejn x'nirrapurtawlkom fir-rigward ta' dawn ir-responsabbiltajiet.

Ernst & Young Malta Limited

Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

Anthony P. Doublet

17 ta' Marzu 2011

N.B il-verżjoni bl-Ingliż hija l-verżjoni ufficjali.

Report of the Custodian

We, Bank of Valletta p.l.c., as Custodian to the APS Funds SICAV p.l.c. (“the Company”) hereby confirm that having enquired into the conduct of the Manager during the year ended 31 December 2010, it is our opinion that during this year, the Company and its Fund have been managed:

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



Bank of Valletta

BOV Centre,
Cannon Road,
Sta Venera SVR 9030,
Malta

17 March 2011

Statements of Financial Position

as at 31 December 2010

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	€	€	€	€
ASSETS				
Financial assets at fair value through profit or loss (note 5a)	16,099,246	11,527,034	16,099,246	11,527,034
Other investments - term deposits (note 5b)	3,800,000	2,050,000	3,800,000	2,050,000
Accrued income	353,658	205,967	353,658	205,967
Other receivables	21,000	-	21,000	-
Bank balances (note 13)	194,542	72,484	193,342	71,284
Total assets	20,468,446	13,855,485	20,467,246	13,854,285
LIABILITIES				
Accrued expenses (note 6)	54,797	48,422	54,797	48,422
Other creditors (note 6)	2,395	20,183	2,395	20,183
	57,192	68,605	57,192	68,605
	20,411,254	13,786,880	20,410,054	13,785,680
Represented by:				
Net assets attributable to shareholders	20,411,254	13,786,880	20,410,054	13,785,680

	APS Funds SICAV p.l.c. Combined Statement	APS Income Fund
Salient Statistics		
Shares in issue as at 31 December 2010 (note 7)		
Founder Shares	1,200.000	-
Accumulator	10,870.742	10,870.742
Distributor	186,642.133	186,642.133
	€	€
Net asset value as at 31 December 2010	20,411,254	20,410,054
Net asset value as at 31 December 2009	13,786,880	13,785,680
Net asset value per Accumulator share as at 31 December 2010 (note 8)		111.9853
Net asset value per Distributor share as at 31 December 2010 (note 8)		102.8314
Net asset value per Accumulator share as at 31 December 2009		106.3573
Net asset value per Distributor share as at 31 December 2009		101.4750

These financial statements on pages 24 to 47 were authorised for issue by the Board of Directors on the 17th March 2011 and were signed on its behalf by:

Dr. Mario Felice
Chairman

Mr. George Cassola
Director

Statements of Changes in Net Assets Attributable to Shareholders

for the year ended 31 December 2010

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	31.12.2010 €	31.12.2009 €	31.12.2010 €	31.12.2009 €
Net assets at beginning of year	13,786,880	10,879,365	13,785,680	10,878,165
Creation of shares	6,511,257	2,865,533	6,511,257	2,865,533
Redemption of shares	(205,506)	(101,685)	(205,506)	(101,685)
Net equalisation	43,136	29,690	43,136	29,690
Net increase in net assets during the year	275,487	113,977	275,487	113,977
Net assets at end of year	20,411,254	13,786,880	20,410,054	13,785,680

Statements of Comprehensive Income

for the year ended 31 December 2010

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	31.12.2010 €	31.12.2009 €	31.12.2010 €	31.12.2009 €
Income				
Interest from loans and receivables	81,302	33,096	81,302	33,096
Dividend income	46,408	38,453	46,408	38,453
Net gain on financial assets at fair value through profit or loss	1,024,772	802,391	1,024,772	802,391
	1,152,482	873,940	1,152,482	873,940
Expenses				
Management fee (note 9a)	127,323	86,713	127,323	86,713
Administration fee (note 9b)	25,173	23,723	25,173	23,723
Custodian fee (note 9c)	9,587	8,762	9,587	8,762
Transaction costs	2,356	3,669	2,356	3,669
Legal and professional fees	7,688	9,485	7,688	9,485
Directors' remuneration	4,500	4,500	4,500	4,500
Auditor's remuneration (note 9d)	1,923	1,923	1,923	1,923
Publicity, printing and publishing costs	27,748	23,027	27,748	23,027
Compliance fees	2,300	2,300	2,300	2,300
General administrative costs	5,821	15,822	5,821	15,822
	214,419	179,924	214,419	179,924
Net income	938,063	694,016	938,063	694,016
Finance costs - distributions to shareholders (note 10)	(558,055)	(505,200)	(558,055)	(505,200)
Tax expense on income (note 11)	(104,521)	(74,839)	(104,521)	(74,839)
Net increase in net assets during the year	275,487	113,977	275,487	113,977

Statements of Cash Flows

for the year ended 31 December 2010

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	€	€	€	€
Cash flows from operating activities				
Interest received	651,544	582,091	651,544	582,091
Dividend income received	46,408	38,453	46,408	38,453
Other income	19,917	-	19,917	-
Operating expenses paid	(205,688)	(192,542)	(205,688)	(192,542)
Tax paid	(92,420)	(68,573)	(92,420)	(68,573)
Purchase of investments	(11,191,119)	(5,833,340)	(11,191,119)	(5,833,340)
Proceeds from sale of investments	5,100,716	3,250,040	5,100,716	3,250,040
Net cash used in operating activities	(5,670,642)	(2,223,871)	(5,670,642)	(2,223,871)
Cash flows from financing activities				
Amounts received on creation of shares	6,556,471	2,897,183	6,556,471	2,895,983
Amounts paid on redemption of shares	(207,583)	(102,446)	(207,583)	(102,446)
Distributions paid	(556,188)	(504,671)	(556,188)	(504,671)
Net cash generated from financing activities	5,792,700	2,290,066	5,792,700	2,288,866
Movements in cash and cash equivalents	122,058	66,195	122,058	64,995
Cash and cash equivalents at beginning of year	72,484	6,289	71,284	6,289
Cash and cash equivalents at end of year (note 13)	194,542	72,484	193,342	71,284

Notes to the Financial Statements

1. CORPORATE INFORMATION

APS Funds SICAV p.l.c. (“the Company”) is an open-ended investment company and was incorporated as a public company with limited liability in Malta on 24 January 2008. The Company consists of one Fund, the APS Income Fund (“the Fund”), licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act [Cap. 370 of the Laws of Malta]. The Fund was launched on 22 April 2008. The shares of the Fund are listed on the Official List of the Malta Stock Exchange.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”s) as adopted for use in the European Union, and comply with the Companies Act, [Cap. 386 of the Laws of Malta]. They have also been prepared in accordance with the requirements of the Malta Financial Services Authority’s Investment Services Rules for Retail Collective Investment Schemes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

In line with International Financial Reporting Standards, the Company presented assets and liabilities in order of their liquidity, rather than split between current and non-current, since this presentation is reliable and more relevant to this Company.

Financial assets at fair value through profit or loss are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in accordance to the Investment Advisor’s recommendations. All other assets and liabilities are expected to be realised within one year.

The Company maintains an account for the Fund’s portfolio, to which proceeds are credited, and against which expenses are charged. All references to net assets throughout this document refer to net assets attributable to shareholders.

Notes to the Financial Statements

(continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income recognition

All distributions from financial assets included in the Statement of Comprehensive Income are recognised on the date on which the stock is quoted ex-dividend up to the Company's year end. Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

Other gains or losses, including interest income, arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income within 'Net gain on financial assets at fair value through profit or loss' in the year in which they arise.

Expenses

Expenses are accounted for on an accrual basis.

Foreign exchange translation

The Company's and the Fund's functional currency is the Euro. Transactions carried out in currencies other than the functional currency, are translated at exchange rates ruling at the transaction dates. Assets and liabilities designated in currencies other than the functional currency are translated into the functional currency at exchange rates ruling at the year end. All resulting differences are taken to the Statement of Comprehensive Income.

Translation differences on financial assets held at fair value through profit or loss are reported as part of the net fair value movement.

Distribution policy

In the absence of unforeseen circumstances, subject to the availability of distributable profits and in the absence of exceptional market conditions, the Directors expect to distribute to shareholders, on a bi-annual basis and after the deduction of expenses, part or all of the net income available for distribution by the APS Income Fund. Any undistributed income will be reflected in the net asset value per share of the Fund. Distributions are classified as finance costs in the Statement of Comprehensive Income and are recognised in the accounting year in which they are paid.

Equalisation

In the case of distributor shares, the Company operates an equalisation account to ensure that the amount distributed in respect of each share will be the same for all shares notwithstanding different dates of issue of those shares. Accordingly, a sum equal to that part of the issue/redemption price of a share, which reflects income (if any) accrued up to the date of issue/redemption, will be deemed to be an equalisation payment/charge and credited (in the case of share issues)/debited (in the case of share redemptions) by the Directors to the equalisation account. Part of the first distribution to holders of shares in respect of which equalisation payments are made, will be paid out of the equalisation account.

Financial Assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification is dependant on the purpose for which the investments were acquired. The Directors determine the appropriate classification of investments at the time of purchase and re-evaluate such designation at the reporting date.

- Financial assets at fair value through profit or loss are those that are designated by the Directors at fair value through profit or loss at inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.
- Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables consist of term-deposits held with credit institutions, accrued income, other receivables and cash and cash equivalents.

Purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, and transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently remeasured at fair value.

Notes to the Financial Statements

(continued)

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the Statement of Comprehensive Income in the year in which they arise. Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment.

The fair value of financial instruments listed or dealt on a regulated market, is based on the latest available price, appearing to the Directors. In the case of financial instruments which are quoted, listed or normally dealt in or under the rules of a regulated market but in respect of which, for any reason, prices on that regulated market may not be available at any relevant time, the value thereof shall be determined by reference to prices sought from dealers, brokers or pricing service providers.

Share capital

The share capital of the Fund is redeemable at the shareholders' option and is classified as a financial liability. The shares can be put back to the Fund at any dealing day for cash equal to a proportionate share of the Fund's net asset value.

The share capital is carried at the redemption amount that is payable at the balance sheet date if the shareholder exercised its right to put the share back to the Fund. Such net asset value per share would be payable in the case where the balance sheet date is a dealing day.

Cash and cash equivalents

For the purpose of the Statement of Cash Flow, cash and cash equivalents comprise deposits held at call with banks.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of International Accounting Standard ("IAS") 1 (revised).

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted as of 1 January 2010:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, restructured, effective for annual periods beginning on or after 1 July 2009
- IFRS 1 First-time Adoption of International Financial Reporting Standards - additional exemptions, effective for annual periods beginning on or after 1 January 2010
- IFRS 2 Share-based payment: Group cash-settled share based payment transactions effective for annual periods beginning on or after 1 January 2010
- IFRS 3 Business Combinations, Revised and IAS 27 Consolidated and Separate Financial Statements, (amended) effective for annual periods beginning on or after 1 July 2009, including consequential amendments to IAS 28 and IAS 31.
- IAS 39 Financial Instruments: Recognition and Measurement, Amendments for eligible hedged items, effective for annual periods beginning on or after 1 July 2009
- IFRIC 17 Distribution of Non-cash assets to owners, effective for annual periods beginning on or after 1 July 2009
- Improvements to IFRS (issued by the IASB in April 2009)

None of these adopted standards or interpretations had any impact on the accounting policies, financial position or performance of the Company.

Standards, interpretations and amendments to published standards issued but not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published and endorsed by the EU but are not yet effective for the current reporting period and which have not been adopted early. Unless as otherwise stated, none of these standards, interpretations and amendments are expected to have an impact on the financial position or performance of the Company. These are as follows:

Notes to the Financial Statements

(continued)

- IFRS 1 First time adoption of International Financial Reporting Standards, Limited Exemption from comparative IFRS 7 disclosures for first time adopters, effective for annual periods beginning on or after 1 July 2010
- IAS 24 Related party disclosures- amendments, effective for annual periods beginning on or after 1 January 2011
- IAS 32 Financial Instruments: Presentation, Amendments relating to classification of rights issue, effective for annual periods beginning on or after 1 February 2010
- IFRIC 14 - IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, Amendments with respect to voluntary prepaid contributions, effective for annual periods beginning on or after 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010

Standards, interpretations and amendments that are not yet endorsed by the EU

- IFRS 1 First-time Adoption of International Financial Reporting Standards, Amendments - Severe Hyperinflation and Removal of fixed dates for first-time adopters, effective for annual periods beginning on or after 1 July 2011
- IFRS 7 - Financial Instruments: Disclosures, Amendment - Transfer of Financial Assets, effective for annual periods beginning on or after 1 July 2011
- IFRS 9 Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after 1 January 2013. This standard reflects the first phase on the replacement of IAS 39 and applies to the classification and measurement of financial assets as defined in IAS 39. The Company is considering the implications of this standard and its impact on the Fund's financial results and position.
- IAS 12 Income Taxes, Amendment - Tax Recovery of Underlying Assets, effective for annual periods beginning on or after 1 January 2012
- Third omnibus improvement to IFRS issued by IASB in May 2010 (various effective dates, earliest for financial years beginning on or after 1 January 2011)

5. (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**APS Income Fund**

	Fair value 31.12.2010 €	% of net assets	Fair value 31.12.2009 €	% of net assets
Quoted Local Equities	870,130	4.26	705,223	5.12
Quoted Local Corporate Bonds	6,852,425	33.57	4,538,289	32.92
Quoted Malta Government Stocks	5,504,633	26.97	4,663,158	33.83
Quoted Foreign Bonds	2,872,058	14.07	1,620,364	11.75
	<u>16,099,246</u>	<u>78.87</u>	<u>11,527,034</u>	<u>83.62</u>

Financial instruments recognised at fair value are analysed between those whose fair value is based on:

- Quoted prices 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).

As at 31 December 2010 and 2009 the Fund's financial assets, which are designated at fair value through profit or loss are all classified as Level 1 in the above hierarchy.

The net gain on financial assets at fair value through profit or loss is made up of:

	2010 €	2009 €
Net fair value movements	354,435	179,188
Interest income on debt securities	730,033	590,894
(Loss)/gains on disposal of investments	(59,696)	32,309
	<u>1,024,772</u>	<u>802,391</u>

Notes to the Financial Statements

(continued)

5. (b) OTHER INVESTMENTS - TERM DEPOSITS

APS Income Fund

	Fair value 31.12.2010 €	% of net assets	Fair value 31.12.2009 €	% of net assets
Term Deposits maturing within 1 year	3,800,000	18.62	300,000	2.18
Term Deposits maturing between 1 and 5 years	-	-	1,750,000	12.69
	<u>3,800,000</u>	<u>18.62</u>	<u>2,050,000</u>	<u>14.87</u>

6. ACCRUED EXPENSES AND OTHER CREDITORS

	31.12.2010 €	31.12.2009 €
Unpaid management fees	37,392	24,618
Unpaid administration fees	6,476	6,301
Unpaid custodian fees	2,773	2,054
Other unpaid expenses	8,156	15,449
Accrued expenses	<u>54,797</u>	<u>48,422</u>
Purchases awaiting settlement	-	19,655
Withholding tax on distributions	2,395	528
Other creditors	<u>2,395</u>	<u>20,183</u>

7. SHARE CAPITAL

The Fund's capital is represented by the redeemable shares of the unit holders with no par value and with each carrying one vote.

The authorised share capital of the Company is 500,001,200 shares. Each participating share which the Company issues is allocated to a class representing a particular Fund, with the exception of the initial issued share capital, (Founder shares) of €1,200 divided into 1,200 ordinary shares with

no nominal value. These shares constitute a separate class of ordinary shares, being the founder shares, but do not constitute a distinct fund of the Company. All shares in issue of the APS Income Fund are fully paid.

All shares may be issued and redeemed at prices based on the value of the Fund's net assets in accordance with its Articles of Association.

APS Income Fund

	2010 Shares	2009 Shares
Accumulator shares in issue at beginning of period	2,772.853	2,418.479
Distributor shares in issue at beginning of year	132,946.645	105,231.117
Creation of Accumulator shares	8,347.257	745.969
Creation of Distributor shares	55,438.217	28,217.877
Redemption of Accumulator shares	(249.368)	(391.595)
Redemption of Distributor shares	(1,742.729)	(502.349)
Accumulator shares in issue at end of year	10,870.742	2,772.853
Distributor shares in issue at end of year	186,642.133	132,946.645

The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of shares.

The relevant movements are shown above and in the Statement of Changes in Net Assets attributable to Shareholders.

8. NET ASSET VALUE PER SHARE

The net asset value per distributor share of the APS Income Fund is determined by dividing net assets attributable to shareholders by the equivalent units. Equivalent units are the accumulator shares in issue multiplied by the accumulation factor plus the distributor shares in issue. As at 31 December 2010 and 31 December 2009 the accumulation factor for the APS Income Fund was 1.08901864 and 1.04811387 respectively. The net asset value per accumulator share is determined by multiplying the distributor net asset value per share by the accumulation factor.

Notes to the Financial Statements

(continued)

9. FEES

a) *Management fee*

Under the terms of an agreement dated 1 February 2008, the Company appointed APS Bank Limited, to provide management services for fees.

The Manager, APS Bank Limited, receives a management fee of 0.75% per annum of the net asset value of the Fund.

b) *Administration fee*

Under the terms of an agreement dated 1 February 2008 the Company appointed Valletta Fund Services Limited as Administrator to the Company to provide administration services for fees. The Administrator, Valletta Fund Services Limited, receives for its services, a fee calculated as 0.13% per annum of the net asset value of the Fund. This fee is subject to a minimum fee of € 25,000 per annum and a maximum fee of € 42,000 per annum.

c) *Custodian fee*

Under the terms of an agreement dated 1 February 2008 (revised 29 April 2010), the Company appointed Bank of Valletta p.l.c. as Custodian, to provide custody services for fees. The Custodian receives a custody fee of 0.03% per annum of the net asset value of the Fund with a minimum annual fee of € 8,150. As of 1 July 2010, the minimum annual fee was revised to € 11,000.

d) *Auditor's remuneration*

Fees charged by the auditor for services rendered during the financial year ended 31 December relate to:

	2010	2009
	€	€
Annual statutory fee	1,923	1,923
Tax compliance services	673	673

10. DIVIDEND DISTRIBUTION

Distributions reflected in the relative Statement of Comprehensive Income for the year ended 31 December 2010:

	Ex-dividend date	Rate paid	Distribution paid
APS Income Fund Distributor Shares	31 December 2009	€ 2.0275	€ 269,549
APS Income Fund Distributor Shares	30 June 2010	€ 1.8438	€ 288,506

Distributions reflected in the relative Statement of Comprehensive Income for the year ended 31 December 2009:

	Ex-dividend date	Rate per Share	Distribution paid
APS Income Fund Distributor Shares	31 December 2008	€ 2.8133	€ 296,047
APS Income Fund Distributor Shares	30 June 2009	€ 1.8510	€ 209,153

A final dividend of € 1.9028 per share which amounted to a distribution of € 355,143 was declared by the Directors on 3 January 2011 with respect to the distributor shares of the APS Income Fund. This declared distribution will be reflected in the Statement of Comprehensive Income for the year ending December 2011.

11. TAX EXPENSE

The tax regime for collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001 as amended. In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least 85% of the value of the total assets of the fund.

The APS Income Fund which is classified as a prescribed fund for income tax purposes, would be subject to Maltese tax on its investment income as defined in the Income Tax Act, at a rate of 10% or 15% depending on the

Notes to the Financial Statements

(continued)

nature of the income. No tax on capital gains should be incurred by resident investors upon the disposal of units in such a fund.

In respect of distributions by the Company to the shareholders, dividends paid from Malta source taxed profits, Malta source profits which are exempt from tax up to the level of the ultimate shareholder, or profits received by the Company from the foreign income account of another Maltese company should not be subject to a withholding tax or to a further tax in the hands of the shareholders.

Distributions from the Company's Untaxed Account to a Maltese resident person (other than a company) or to a non-resident person who is owned and controlled by, directly or indirectly, or who acts on behalf of a person who is ordinarily resident and domiciled in Malta should, inter alia, be subject to a withholding tax of 15%. This withholding tax should be deducted by the Company and the dividend would be passed on to the Shareholders net of the tax. The Maltese resident individual investor may opt to declare such dividends paid from the Untaxed Account of the Company in his/her income tax return and in that case the 15% withholding tax would be available as a credit (or a refund, as the case may be) against the individual's tax liability.

Distributions from the Company's equalisation reserve are treated as dividends for income tax purposes and are likely to be subject to a withholding tax of 15% when paid to a Maltese resident person (other than a company).

In case of the Company's foreign investments, any capital gains, dividends, interest and other gains or profits may be subject to tax imposed by the country of origin concerned and such taxes may not be recoverable by the Company or by its shareholders.

12. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(i) Shareholding

APS Bank Limited is the controlling party of the APS Funds SICAV p.l.c. as it holds the majority of the shares in the APS Income Fund. The ultimate parent company is Arom Holdings Limited whose

registered address is at Archbishop's Curia, St. Calcedonius Square, Floriana, Malta.

Shares held in the APS Funds SICAV p.l.c. were as follows:

	APS Funds SICAV p.l.c. Founder Shares 2010	APS Income Fund Distributor Shares 2010	APS Funds SICAV p.l.c. Founder Shares 2009	APS Income Fund Distributor Shares 2009
APS Bank Limited	1,199.000	98,853.140	1,199.000	98,853.140

As at 31 December 2010, the Company held bank balances amounting to € 194,542 (2009: € 72,484) and term deposits of € 2,100,000 (2009: € 350,000) with APS Bank Limited. The interest received on such bank and term deposits are equivalent to those that prevail in arm's length transactions.

(ii) *Management agreement*

APS Bank Limited is also the Investment Manager of APS Income Fund by virtue of an agreement entered into with the Company dated 1 February 2008.

Management fees due to APS Bank Limited for the period are disclosed in the Statement of Comprehensive Income and the outstanding management fee is detailed in note 6.

(iii) *Key management personnel*

For the year ended 31 December 2010 and the reporting year ended 31 December 2009, the Company remunerated its Directors the amount of € 4,500 for each reporting year as disclosed separately in the Statement of Comprehensive Income. There were no other payments to key management personnel.

As at 31 December 2010 and 31 December 2009, the following Directors held units in the Fund. The individual Directors' holdings as at 31 December 2010 and 31 December 2009 were as follows:

Notes to the Financial Statements

(continued)

- Dr. Mario Felice held 60 shares in the APS Income Fund
- Mr. George Cassola held 200 shares in the APS Income Fund

13. CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flow, the year end cash and cash equivalents comprise bank balances held at call as follows:

	2010	% of net assets	2009	% of net assets
	€		€	
APS Funds SICAV p.l.c.	194,542	0.95	72,484	0.53
APS Income Fund	193,342	0.95	71,284	0.52

The Fund has an overdraft facility with APS Bank Limited of € 1,000,000. This facility is secured by the following pledges:

- 500,000 (nominal) 4.80% MGS 2016 (II)
- 150,000 (nominal) 7.80% MGS 2013
- 200,000 (nominal) 6.45% MGS 2014 (II)
- 300,000 (nominal) 5.10% MGS 2014 (III)

which are held in the name of the Company. As at year end, the overdraft was not drawn.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, fair value interest rate risk, cash flow interest rate risk and currency risk), credit risk and liquidity risk. The Company does not make use of any derivative instruments. The risk management policies employed by the Company are disclosed below.

Market Price Risk

The Fund's securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Fund trades in financial instruments, taking positions in traded instruments. All securities present a risk of loss of capital. The Investment Manager 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 Fund's overall market positions are monitored on a regular basis by the Fund's Investment Manager.

The APS Income Fund's equity and debt securities are susceptible to market price risk arising from uncertainties about future prices of securities. The Fund is exposed to equity price risk through direct investment in equity securities.

The APS Income Fund seeks to achieve long-term capital growth by investing principally in the equity and debt securities markets in Malta on a diversified basis. The Fund's exposure to the different types of investments is summarised in note 5. The equity securities are selected from the Malta Stock Exchange Share Index (the "MSE Index") traded on the Malta Stock Exchange. If the MSE Index at 31 December 2010 had increased by 10% (2009: 10%) with all other variables held constant, this would have increased net assets attributable to holders of redeemable shares by approximately € 87,013 (2009: € 70,522). Conversely, if the MSE Index had decreased by 10% (2009: 10%), this would have had an equal but opposite effect.

For the purpose of this calculation, the Company assumed that the 10% (2009: 10%) change in the MSE Index is made up of an identical and equal change to all the securities listed on the MSE and therefore the 10% (2009: 10%) is not a composite of different percentage changes of the underlying listed securities. The Company has deemed a 10% (2009: 10%) change in the MSE Index to be a reasonable change.

Debt securities are affected by interest rate movements, which are covered below.

Interest Rate Risk

The Fund is exposed to interest rate risk through directly holding interest-bearing financial assets. Assets earning interest at variable rates expose the Fund to cash flow interest rate risk, whereas assets earning interest at fixed rates expose the Fund to fair value interest rate risk. The Fund's exposure to interest rate risk is summarised in the table below:

	Assets held at fixed rates (as a % of NAV)		Assets held at variable rates (as a % of NAV)	
	2010	2009	2010	2009
APS Income Fund	93.23	93.37	0.95	0.52

Notes to the Financial Statements

(continued)

At 31 December 2010, should interest rates have lowered/increased by 50 (2009: 50) basis points with all other variables remaining constant, the increase/decrease in net assets attributable to holders of redeemable shares (gross of expenses) would amount to approximately €361,878 (2009: €196,056), arising from the change in market values of these corporate and government bonds.

The direct exposure in interest rate risk is managed through investment in debt securities with different maturity dates over the time bands as illustrated in the table below. In addition, investment limits in interest-bearing securities are prescribed in the prospectus. The Investment Manager monitors such exposure against these limits on a regular basis.

Maturity of debt securities

	Quoted Local Corporate Bonds	Quoted Malta Government Bonds	Quoted Foreign Bonds
	31.12.2010	31.12.2010	31.12.2010
	€	€	€
Up to 1 year	-	104,800	325,595
1 to 5 years	3,750,092	3,622,820	2,233,193
5 to 15 years	3,102,333	1,777,013	313,270
	<u>6,852,425</u>	<u>5,504,633</u>	<u>2,872,058</u>

Maturity of debt securities

	Quoted Local Corporate Bonds	Quoted Malta Government Bonds	Quoted Foreign Bonds
	31.12.2009	31.12.2009	31.12.2009
	€	€	€
Up to 1 year	1,420,179	405,100	21,000
1 to 5 years	2,427,106	3,117,773	1,517,430
5 to 15 years	691,004	1,140,285	81,934
	<u>4,538,289</u>	<u>4,663,158</u>	<u>1,620,364</u>

Any excess cash and cash equivalents held at call as disclosed in note 13 are exposed to variable interest rates.

Currency Risk

Currency fluctuations between the base currency of the Fund and the currency of the underlying investments of the Fund, may adversely affect the value of investments and the income derived therefrom.

The Company is not exposed to significant foreign currency risk as the majority of the Company's transactions, assets and liabilities are denominated in Euro.

Credit Risk

Credit risk is the risk that an issuer or counter party will be unable or unwilling to meet a commitment that it has entered into with the Company. Financial assets, which potentially subject the Fund to credit risk, consist principally of debt securities. Loans and receivables comprise accrued income as disclosed in the Statement of Financial Position.

The following table provides information regarding the Fund's aggregated credit risk exposure with external credit ratings. The credit rating analysis below takes into account the rating of the respective financial assets which are categorised by Standard & Poor ("S&P") rating or equivalent.

	AAA	AA	A	BBB	BB	Not Rated	Carrying Value €
31 December 2010							
Debt securities classified at fair value through profit or loss	0.50%	3.91%	48.77%	4.07%	0.37%	42.38%	15,229,116
31 December 2009							
Debt securities classified at fair value through profit or loss	0.57%	3.93%	50.31%	5.42%	-	39.77%	10,821,811

The concentration of credit risk is managed by ensuring that such investments are only made in instruments issued by companies considered to be reputable and enjoy a high credit standing. As at 31 December 2010 the Fund held

Notes to the Financial Statements

(continued)

Malta Government Stocks for the total value of € 5,504,633 (2009: € 4,663,158) with an 'A' credit rating by S&P. The fund also had 5.35% Bank of Valletta p.l.c. Subordinated Bonds 2019 for the value of € 88,182 and 4.80% Bank of Valletta p.l.c. Subordinated Bonds 2020 for the value of € 571,135 which Bank had an 'A-' (2009: A-) credit rating by Fitch. The Fund does not hold any collateral as security. The carrying amounts disclosed above represent the exposure to credit risk with respect to debt securities. The percentages above are calculated as a percentage of the total debt securities.

All transactions in listed debt securities are settled for upon delivery through clearing houses. The risk of default is considered minimal, as delivery of securities sold is only made once the clearing house has received payment. Payment is made on a purchase once the securities have been received by the clearing house. The trade will fail if either party fails to meet its obligation.

Accounts receivable mainly constitute receivables on creation of shares, receivables on sale of investments and accrued income. The receivables are all short term. Accordingly, the Fund has no significant credit risk in respect of accounts receivable.

The Company has policies that limit the amount of credit exposure to any single issuer. Accordingly, the Investment Manager monitors the Fund's credit position on a regular basis.

None of the Fund's financial assets were considered to be past due or impaired in both 2010 and 2009.

Bank balances (note 13) are held and transacted with APS Bank Limited and term deposits are held with both APS Bank Limited and HSBC Bank Malta p.l.c.

Liquidity Risk

The Fund is exposed to daily cash redemptions of redeemable shares.

The Fund's listed securities are considered to be readily realisable. The Fund has the ability to borrow to meet short term liquidity requirements. Despite the fact that such securities are listed, the market in such securities may be illiquid in view of the fact that the trading volumes on the Malta Stock Exchange, which is a relatively new market when compared to more established markets, are limited.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a regular basis. Redeemable shares are redeemed on demand at the holder's option. All other liabilities are due within less than one month.

Portfolio Statement

	Market value 31.12.2010 €	% of net assets
APS INCOME FUND		
<i>Quoted Local Equities</i>		
Bank of Valletta p.l.c.	418,786	2.05
GO p.l.c.	77,400	0.38
HSBC Bank Malta p.l.c.	224,595	1.10
Malta International Airport p.l.c.	49,800	0.24
Middlesea Insurance p.l.c.	76,125	0.37
RS2 Software p.l.c.	23,424	0.11
<i>Quoted Local Corporate Bonds</i>		
6.50% International Hotel Investments p.l.c. Euro Bonds 2012/2014	257,500	1.26
7.50% Mediterranean Investments Holding p.l.c. Euro 2012/2014	425,448	2.09
7.00% FIMBank p.l.c. Euro Bonds 2012/2019	307,706	1.51
4.25% FIMBank p.l.c. Euro Bonds 2013	255,000	1.25
6.30% International Hotel Investments p.l.c. Bonds 2013	255,000	1.25
6.00% Gasan Finance Company p.l.c. 2014/2016	325,080	1.59
7.15% Melita Capital p.l.c. Euro Bonds 2014/2016	220,330	1.08
7.00% PAVI Shopping Complex p.l.c. 2014/2017	611,365	3.00
6.25% Tumas Investments p.l.c. Bonds 2014/2016	110,210	0.54
6.75% United Finance p.l.c. Bonds 2014/2016	44,581	0.22
5.35% Izola Bank p.l.c. Bonds 2015	593,325	2.91
6.25% Mediterranean Bank p.l.c. Bond 2015	102,500	0.50
7.15% Mediterranean Investments Holding p.l.c. Euro 2015/2017	206,000	1.01
7.50% Mediterranean Investments Holding p.l.c. Euro 2015	36,047	0.18
7.00% MIDI Euro p.l.c. 2016/2018	419,930	2.06
6.20% Mizzi Organisation Finance p.l.c. Euro Bonds 2016/2019	416,040	2.04
6.60% Eden Finance p.l.c. Bonds 2017/2020	312,000	1.53
6.25% International Hotel Investments p.l.c. Bonds 2017/2020	260,000	1.27
6.50% Island Hotels Group Holdings p.l.c. Euro Bonds 2017/2019	116,230	0.57

6.80% Premier Capital p.l.c. Bonds 2017/2020	369,671	1.81
6.00% Simonds Parsons Cisk p.l.c. Bonds 2017/2020	389,367	1.91
6.20% Tumas Investments p.l.c. Bonds 2017/2020	25,878	0.13
5.35% Bank of Valletta p.l.c. Subordinated Bonds 2019	88,182	0.43
6.25% Corinthia Bonds 2019	133,900	0.66
4.80% Bank of Valletta p.l.c. Subordinated Bonds 2020	571,135	2.80

Quoted Malta Government Bonds (up to 5 years)

7.50% MGS 2011	104,800	0.51
7.80% MGS 2012	162,750	0.80
7.80% MGS 2013	607,963	2.98
6.35% MGS 2013 (II)	109,760	0.54
3.60% MGS 2013 (IV)	516,650	2.53
6.45% MGS 2014 (II)	624,195	3.06
5.10% MGS 2014 (III)	986,107	4.83
5.90% MGS 2015 (II)	615,395	3.02

Quoted Malta Government Bonds (5 to 15 years)

4.80% MGS 2016 (II)	532,450	2.61
4.60% MGS 2020 (II)	130,010	0.64
5.25% MGS 2030 (I)	1,114,553	5.46

Quoted Foreign Bonds

Alliance & Leiceister p.l.c. 3.50% 2011	100,385	0.49
American International Group Inc. 4.00% 2011	101,500	0.50
Lehman Brothers HLDG 4.00% 2011	22,940	0.11
Principal Financial Global Funding 5.50% 2011	100,770	0.49
Abu Dhabi National Energy Co. 5.62% 2012	78,278	0.38
Anglo Irish BK 2.625% 2012	92,949	0.46
BP Capital Markets p.l.c. 4.50% 2012	104,750	0.51
Daimler International Finance BV 7.25% 2012	115,923	0.57
EBS Mortgage Finance 3.875% 2012	86,185	0.42
GE Capital Australian Funding 8.00% 2012	396,623	1.94
Republic of Lithuania 5.875% 2012	104,825	0.51
Bank of Ireland 4.625% 2013	82,894	0.41
Bank of Scotland Hbos 5.625% 2013	105,535	0.52
Banque Centrale De Tunisie 6.25% 2013	107,500	0.53
DEPFA Acs Bank 3.875% 2013	98,152	0.48
Eskom Holdings 4.00% 2013	101,150	0.50
Export Import Bank of Korea 5.75% 2013	106,028	0.52

Portfolio

Statement

(continued)

Pemex Master 6.25% 2013	108,250	0.53
Republic of Cyprus 3.75% 2013	98,385	0.48
Royal Bank of Scotland p.l.c. 5.00% 2013	73,930	0.36
Citigroup Inc. 5.50% 2014	80,479	0.39
Rabobank Nederland 6.00% 2014	75,729	0.37
Irish Life & Permanent 4.00% 2015	117,186	0.57
Nationwide Building 3.75% 2015	98,442	0.48
Hellenic Republic 3.60% 2016	56,570	0.28
Republic of Poland 4.675% 2019	256,700	1.26
 <i>Term Deposits</i>		
APS Bank Limited	2,100,000	10.29
HSBC Bank Malta p.l.c.	1,700,000	8.33

Statement of Changes in the Composition of the Portfolio

The composition of the portfolio, detailed in the Portfolio Statement on pages 48 to 50, in comparison with the Portfolio Statement as at 31 December 2009 stood as follows:

	% of net assets 31.12.2010	% of net assets 31.12.2009
Quoted Local Equities	4.26	5.12
Quoted Local Corporate Bonds	33.57	32.92
Quoted Malta Government Bonds	26.97	33.83
Quoted Foreign Bonds	14.07	11.75
Term Deposits	18.62	14.87

Information about the Scheme

1. AUTHORISATION

The Company is authorised by the Malta Financial Services Authority as a Collective Investment Scheme pursuant to Section 6 of the Investment Services Act, 1994 [Cap. 370 of the Laws of Malta].

2. INCOME

In the case of the distributor class of shares, the Company operates an equalisation account to ensure that the amount distributed in respect of each share will be the same for all shares notwithstanding different dates of issue of those shares. In the case of the accumulator class of shares, all income is accumulated within the price of the shares, and therefore, no equalisation is required.

3. UP-FRONT CHARGE AND OTHER FEES

APS Income Fund

Initial Fee

An initial charge of 1.50%, on the amount invested.

Details on the Management, Custody and Administration fees can be found under note 9 on page 38.

4. RISK WARNINGS

Market Fluctuations

Investment in the Fund should be regarded as a long-term investment. The Fund's investments are subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that capital appreciation will occur.

The price of shares and the income derived from them (if any), can, from time to time, go down as well as up and investors may not realise the amount of their initial investment.

Past performance is no guarantee of future performance.

The value of the Fund, including the currency in which it is determined, may fall as well as rise.

Erosion of Capital

Deduction of the initial charge means that if an investor withdraws from the investment in the short-term he/she may not get back the amount he/she invested.

Currency Fluctuations

Currency fluctuations between the base currency of the Fund, and

- (i) the investor's currency of reference, and ,
 - (ii) the currency of the underlying investments of the Fund,
- may adversely affect the value of investments and the income (if any) derived therefrom.

Investment on the Malta Stock Exchange

The APS Income Fund may invest in equity and debt securities quoted on the Malta Stock Exchange, which is a relatively new market, when compared to more established markets. In addition, the investments that can be made on the Malta Stock Exchange are limited. This may lead to an exposure to a particular security or industry sector, which is higher than the normally associated with a diversified portfolio. This may expose the Fund to higher levels of volatility and may adversely affect the performance of the Fund. Despite the fact that such securities are listed, the market in such securities may be illiquid.

The trading volumes on emerging Stock Exchanges such as the Malta Stock Exchange are substantially less than the world's leading stock markets. Accordingly the buying and selling of securities may be time consuming and may need to be effected at unfavorable prices.

Exposure to a single market

The APS Income Fund invests its assets predominately in the Maltese market and thus the degree of market diversification is limited to such market. Therefore, the performance of the Fund is closely linked to the performance of the Maltese market.

Investments in smaller companies

The APS Income Fund may invest in the securities of smaller companies, which securities can involve greater risk than is customarily associated with investment in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on one or two key individuals. This may result in investments in such markets being volatile.

Investments in unquoted companies

The APS Income Fund may invest in securities of unquoted companies, which securities can be subject to risks not normally associated with quoted securities. These risks are mainly related to the illiquidity of the market.

Information about the Scheme

(continued)

5. SCHEME PARTICULARS

The above details are extracted from the APS Funds SICAV p.l.c. Prospectus and Supplement thereto, both dated 1 February 2011, which are available upon request from the Investment Manager, and were current at the date of publishing of this Annual Report and Financial Statements. Persons wishing to invest in the APS Income Fund should do so on the basis of the full information contained in the Prospectus and Supplement.

6. MANAGER'S STATEMENT

In the opinion of the Manager, this Annual Report and Financial Statements contains all the information necessary to enable the investors to make an informed judgment of the results and activities of the Company for the year ended 31 December 2010, and does not omit any matter or development of significance.

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