

APS Funds SICAV p.l.c.

Interim Report and Unaudited Financial Statements for the period ended 30 June 2009

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Management and Administration

DIRECTORS

Dr. Mario Felice
9, Bastion Square
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-Ghelejjel
Gudja GDJ 1852
Malta

REGISTERED OFFICE AND BUSINESS ADDRESS

APS House,
20, St. Anne Square,
Floriana FRN 9020,
Malta

COMPANY REGISTRATION NUMBER

SV 78

INVESTMENT MANAGER

APS Bank Limited
APS House,
20, St. Anne Square
Floriana FRN 9020
Malta

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

ADMINISTRATOR AND COMPANY SECRETARY

Valletta Fund Services Limited
Level 6,
The Mall Offices,
The Mall,
Floriana FRN 1470
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 House,
20, St. Anne Square,
Floriana FRN 9020,
Malta

AUDITORS

Ernst & Young
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 to the Company Documents:

The following change was made during the reporting period:

On the 4 March 2009, the Prospectus and the Supplement to the Prospectus in relation to the APS Income Fund were updated to reflect changes in the allocation of profits for distribution and clarification relative to shareholders' rights.

Investment Manager's Report

International Outlook

Last year's financial turmoil persisted during the first quarter of this year, when equity markets continued to fall and credit spreads were widening to record levels. Equities sunk to levels last seen more than 10 years ago. The Standard & Poor's (S&P) Index fell to a low of 676, shedding 230 points, and the Dow Jones Euro Stoxx 600 Index fell to 157.97, losing more than 40 points from the beginning of the year. Similarly, credit spreads, i.e. the rate that a corporate entity has to pay above government bonds to borrow money, widened to new highs, reaching 500-600 basis points in some investment grade bond indices.

The crisis reached a full blown recession with negative GDPs globally except in China and India, although these two countries also experienced a significant slowdown. Unemployment rose fast, reaching 9.2% in the US and 9.4% in Europe. Industrial production and personal consumption was receding fast.

The response by policy makers was fast, focused and overpowering. The Federal Reserve Bank (FED) and the Bank of England (BOE) interest rates were set to nearly zero by December last year, effectively making free money available to financial institutions. This was in addition to the second release of US \$ 300 billion Troubled Asset Relief Programme funds. Moreover, a \$ 768 billion fiscal stimulus was released to bolster the economy. Further to this both the BOE and FED initiated programmes of quantitative easing, by purchasing both government and corporate bonds. The European Central Bank lowered rates to its lowest level at 1% by May. Although its bond repurchase programme was not as bold as the one launched by the BOE or the FED, it made €442 billion available to Euro-zone banks.

All this supply did have a substantial effect on the financial markets. Equities rebounded strongly since their March lows. The S&P 500 rose 919.32, erasing all the year's losses, and the Dow Jones Euro Stoxx 600 rose to 205.83, showing modest gains. Credit spreads closed substantially, showing large gains on corporate bonds. The economy is no longer in free fall, and the decline has slowed substantially.

Maltese Market

The Maltese market was not sheltered from this turmoil. Shares lost double-digit returns, achieving new lows. The Malta Stock Exchange (MSE) Index fell by 17.8% since the start of the year, but later rebounded. By the end of June 2009, the MSE Index was still -8.4% for the year, notably reflecting losses in the value of shares in Bank of Valletta, HSBC, MSI and MIA.

Yields on Maltese Government bonds reflect yields on German Bunds, with an added margin. During these six months, the short term yields came down substantially, but longer term yields were back to where they started at the beginning of the year.

This year was a particular one, as a string of new Initial Public Offerings were made available to the market. Issues in MIDI, Fimbank, Gasan, BOV, Tumas and IHI were absorbed. These, together with 3 issues of Maltese Government Stocks, totalled € 572 million. With further Corporate and Government stocks in the offing, this might well be a record year for the Maltese market.

Yet all this issuance by the Government (an additional € 116 million in bonds and € 229 million in Treasury bills) takes place in a difficult scenario, with revenues falling fast. The economy is also suffering from a substantially reduced tourist sector, with lower arrivals (estimated to be some 10% less), coupled with a spending-conscious tourist. Moreover, the construction industry is also experiencing a slowdown, while other sectors are reducing the workforce or reducing the weekly working hours.

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 securities and in the Maltese 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 period from 31 December 2008 to 30 June 2009, the quoted share price of the APS Income Fund accumulator class of shares increased by 1.02% from €101.1967 to €102.2246.

Distributor Class of Shares

During the period from 31 December 2008 to 30 June 2009, the quoted share price of the APS Income Fund distributor class of shares decreased by 1.79% from €101.1967 to €99.3830.

Dividend Distribution

The dividend declared in respect of the distributor class of shares for the period ended 30 June 2009 is listed under note 5 on page 15.

Portfolio Activity

With the current supply of money, inflation has been restrained due to the recessionary environment. Eventually inflation will pick up, and policy makers will have to act fast to curb it. This will have an impact on long term holdings, as higher yields will act inversely on prices and lower the market value of assets. The Fund reduced its portfolio duration by selling some long-dated bonds and placing funds in either term-deposits or shorter dated bonds.

The Fund participated in some of the newly issued bonds that the Investment Manager felt were appropriately priced for the risk assumed and did not participate in some long dated bonds that were issued at low coupons.

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.

(Sources: Central Bank of Malta, Malta Stock Exchange and APS Bank Limited)

Unaudited Statements of Financial Position*as at 30 June 2009*

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	€	€	€	€
ASSETS				
Financial assets at fair value profit or loss	9,956,662	10,766,249	9,956,662	10,766,249
Loans and receivables	1,700,000	-	1,700,000	-
Accrued income	163,640	170,335	163,640	170,335
Other receivables	-	1,200	-	-
Bank balances	235,828	6,289	234,628	6,289
Total assets	12,056,130	10,944,073	12,084,930	10,942,873
LIABILITIES				
Accrued expenses	92,134	64,708	92,134	64,708
Other creditors	497,750	-	497,750	-
	589,884	64,708	589,884	64,708
	11,496,246	10,879,365	11,495,046	10,878,165
Represented by:				
Net assets attributable to shareholders	11,496,246	10,879,365	11,495,046	10,878,165
Salient Statistics				
Shares in issue as at 30 June 2009				
Founder Shares	1,200,000			
Accumulator	2,739,150		2,739,150	
Distributor	112,994,532		112,994,532	
	€		€	
Net asset value as at 30 June 2009	11,496,246		11,495,046	
Net asset value as at 31 December 2008	10,879,365		10,878,165	
Net asset value per Accumulator share as at 30 June 2009			102.0940	
Net asset value per Distributor share as at 30 June 2009			99.2560	
Net asset value per Accumulator share as at 31 December 2008			101.0516	
Net asset value per Distributor share as at 31 December 2008			101.0516	

Unaudited Statements of Changes in Net Assets Attributable to Shareholders*for the period ended 30 June 2009*

	APS Funds SICAV p.Lc. Combined Statement		APS Income Fund	
	24.01.2008 - 30.06.2009	30.06.2008 -	22.04.2008 - 30.06.2008	
	€	€	€	€
Net assets at beginning of period	10,979,365	-	10,979,165	-
Founder shares	.	1,200	.	-
Creation of shares	945,609	10,896,571	945,609	10,896,571
Redemption of shares	(56,406)	(230,347)	(56,406)	(230,347)
Net equalisation	10,715	299	10,715	299
Net decrease in net assets during the period	(183,037)	(137,903)	(183,037)	(137,903)
Net assets at end of period	11,496,246	10,529,820	11,495,046	10,528,620

Unaudited Income Statements*for the period ended 30 June 2009*

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	24.01.2008 - 30.06.2009	30.06.2008	22.04.2008 - 30.06.2008	
	€	€	€	€
Income				
Interest from loans and receivables	4,159	385	4,159	385
Dividend income	13,662	2,688	13,662	2,688
Management fee rebate	.	15,196	.	15,196
Net fair value movements on financial assets at fair value through profit or loss	226,914	(78,288)	226,914	(78,288)
	244,765	(60,019)	244,765	(60,019)
Expenses	(100,192)	(49,221)	(100,192)	(49,221)
Net income	144,573	(109,240)	144,573	(109,240)
Finance costs - distributions to shareholders (note 5)	(296,047)	-	(296,047)	-
Tax expense on income	(31,563)	(28,663)	(31,563)	(28,663)
Net decrease in net assets during the period	(183,037)	(137,903)	(183,037)	(137,903)

Unaudited Statements of Cash Flow*for the period ended 30 June 2009*

	APS Funds SICAV p.l.c. Combined Statement		APS Income Fund	
	30.06.2009	24.01.2008 - 30.06.2008	30.06.2009	22.04.2008 - 30.06.2008
	€	€	€	€
Net cash used in operating activities	(275,532)	(10,647,417)	(275,532)	(10,647,417)
Net cash generated from financing activities	505,071	10,666,523	503,571	10,666,523
Movements in cash and cash equivalents	229,539	19,106	228,339	19,106
Cash and cash equivalents at beginning of period	6,259	-	6,259	-
Cash and cash equivalents at end of period (note 6)	235,828	19,106	234,628	19,106

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

APS Funds SICAV p.l.c. ("the Company") is an open-ended investment company which 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, 1994. 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 unaudited condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting as adopted for use in the European Union and are consistent with the accounting policies used in the preparation of the 2008 audited financial statements. 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 unaudited financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities 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, since this presentation is reliable and more relevant to this Company. This presentation is also in line with the terms of Section 3(3) of the Third Schedule of the Companies Act, (Cap. 386 of the Laws of Malta).

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 as may be determined by the Investment Manager. 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income recognition

All distributions from financial assets included in the Income Statement are recognised on the date on which the stock is quoted ex-dividend up to the Company's interim date. 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 Income Statement within 'Net fair value movements 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 and are expensed as incurred.

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 Company's interim date. All resulting differences are taken to the Income Statement.

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 Income Statement and are recognised in the accounting period 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 and/or to eliminate or significantly reduce an accounting mismatch.

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 profit or loss, other receivables and prepayments 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 re-measured at fair value. 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 Income Statement in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method less any provision 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 IAS 1 (revised).

4. 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 30 June 2009 the accumulation factor for the APS Income Fund was 1.02859249. The net asset value per accumulator share is determined by multiplying the distributor net asset value per share by the accumulation factor.

5. DIVIDEND DISTRIBUTION

The final distribution declared in respect of the distributor shares of the APS Income Fund for the period ended 31 December 2008 of € 2.8133 per share amounting to a total distribution of € 296,047 was paid during the reporting period. This distribution is reflected in the Unaudited Income Statement. For the period ended 30 June 2009 an interim dividend of € 1.8510 per share amounted to a total distribution of € 209,153. This distribution will be reflected in the Income Statement for the year ending 31 December 2009.

6. CASH AND CASH EQUIVALENTS

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

	APS Funds SICAV p.l.c.				APS Income Fund			
	30.06.09	% of net assets	31.12.08	% of net assets	30.06.09	% of net assets	31.12.08	% of net assets
	€		€		€		€	
Cash at bank	235,828	2.05	6,289	0.06	234,628	2.04	6,289	0.06

The Company has an overdraft facility with APS Bank Limited of € 1,000,000. This facility is secured by a pledge over 500,000 (nominal) 4.80% MGS 2016 (II), 150,000 (nominal) 7.80% MGS 2013, 200,000 (nominal) 6.45% MGS 2014 (II) and 300,000 (nominal) 5.10% MGS 2014 (III) held in the name of the Company. As at period end, the overdraft was not overdrawn.

PORTFOLIO STATEMENT

	Market Value	% of net assets
	30.06.09	
	€	
APS INCOME FUND		
<i>Quoted Local Equities</i>		
Bank of Valletta p.l.c.	96,720	0.84
GO p.l.c.	27,150	0.24
HSBC Bank Malta p.l.c.	179,400	1.56
Malta International Airport p.l.c.	31,380	0.27
RS2 Software p.l.c.	33,672	0.29
<i>Quoted Local Corporate Bonds</i>		
6.70% Mizzi Organisation Finance p.l.c. Bonds 2009/2012	500,000	4.35
6.15% Bank of Valletta p.l.c. Subordinated Bonds 2010	500,000	4.35
6.70% Eden Finance p.l.c. Bonds 2010	300,000	2.61
6.60% Simonds Farsons Cisk p.l.c. Bonds 2010/2012	204,286	1.78
6.50% International Hotel Investments p.l.c. Euro Bonds 2012/2014	252,500	2.20
7.50% Mediterranean Investments Holding p.l.c. Euro Bonds 2012/2014	402,000	3.50
7.00% FIMBank p.l.c. 2012/2019 Euro Bonds	250,908	2.18
6.30% International Hotel Investments p.l.c. Bonds 2013	250,000	2.17
6.00% Gasan Finance Company p.l.c. Euro Bonds 2014/2016	247,526	2.15
7.00% PAVI Shopping Complex p.l.c. 2014/2017	602,270	5.24
7.00% MIDI Euro p.l.c. 2016/2018	275,427	2.40
<i>Quoted Malta Government Bonds (up to 5 years)</i>		
5.75% MGS 2010 (II)	311,520	2.71
5.40% MGS 2010 (IV)	204,600	1.78
7.50% MGS 2011	110,430	0.96
7.80% MGS 2012	171,435	1.49
5.70% MGS 2012 (III)	323,340	2.81
7.80% MGS 2013	623,174	5.42
6.35% MGS 2013 (II)	110,000	0.96
3.60% MGS 2013 (IV)	497,750	4.33
6.45% MGS 2014 (II)	614,075	5.34
5.10% MGS 2014 (III)	966,901	8.41

	Market Value 30.06.09 €	% of net assets
<i>Quoted Malta Government Bonds (5 to 15 years)</i>		
5.90% MGS 2015 (II)	604,725	5.26
4.80% MGS 2016 (II)	516,500	4.49
<i>Quoted Foreign Bonds</i>		
Glitnir Banki HF 4.375% 2010	13,440	0.12
Alliance & Leiceister p.l.c. 3.50% 2011	100,015	0.87
American International Group Inc. 4.00% 2011	65,833	0.57
Lehman Brothers HLDG 4.00% 2011	15,190	0.13
Xstrata Finance Canada 5.875% 2011	99,695	0.87
GE Capital Australian Funding 8.00% 2012	297,635	2.59
Bank of Scotland Hbos 5.625% 2013	100,095	0.87
Hellenic Republic 3.60% 2016	87,070	0.76
<i>Term Deposit</i>		
HSBC Bank Malta p.l.c.	1,700,000	14.79

Statement of Changes in the Composition of the Portfolio

The composition of the portfolio, detailed in the Portfolio Statement on pages 16 to 17, in comparison with the Portfolio Statement as at 31 December 2008 stood as follows:

	% of net assets 30.06.2009	% of net assets 31.12.2008
APS Income Fund		
Quoted Local Equities	3.20	3.64
Quoted Local Corporate Bonds	32.93	27.79
Quoted Malta Government Bonds	43.97	61.37
Quoted Foreign Bonds	6.78	6.17
Term Deposit	14.79	-

Information about the Scheme

1. AUTHORISATION

The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme pursuant to Section 6 of the Investment Services Act [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.

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.

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 (reduced to € 20,800 for the first twelve months from the launch of the Fund) and a maximum of € 42,000.

Custodian fee

Under the terms of an agreement dated 1 February 2008, 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 and a maximum of € 11,650.

4. 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 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 person) 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.

5. 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 ("MSE"), which is a relatively new market, when compared to more established markets. In addition, the investments that can be made on the MSE 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 MSE 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 unfavourable 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.

6. SCHEME PARTICULARS

The above details are extracted from the APS Funds SICAV p.l.c. Prospectus and Supplement thereto, both dated 4 March 2009, which are available upon request from the Investment Manager, and were current at the date of publishing of this Interim Report and Unaudited 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 the Supplement.

7. MANAGER'S STATEMENT

In the opinion of the Manager, this Interim Report and Unaudited Financial Statements contain all the information necessary to enable the investors to make an informed judgment of the results and activities of the Company for the period ended 30 June 2009, and does not omit any matter or development of significance.

