BARINGS

# Half Year Report

for the six months ended 31 March 2017

## Baring Emerging Europe PLC

# Contents

# Investment objective

The investment objective is to achieve long-term capital growth, principally through investment in securities listed on or traded on an Emerging European securities market or in securities of companies listed or traded elsewhere, whose revenues and/or profits are, or are expected to be, derived from activities in Emerging Europe.

# Financial highlights

| | **31 March 2017** | 31 March 2016 | 30 September 2016 |
|---|---|---|---|
| Shareholders' funds (£000) | **116,417** | 101,741 | 118,450 |
| Net asset value ("NAV") per share | **815.62p** | 603.51p | 722.82p |
| Share price | **700.00p** | 520.00p | 638.00p |
| Discount of share price to NAV | **14.2%** | 13.8% | 11.7% |
| Gearing Ratio – Gross basis | **107%** | 105% | 105% |
| Gearing Ratio – Commitment basis | **109%** | 108% | 110% |

| | **Six months to 31 March 2017** | Six months to 31 March 2016 | Year ended 30 September 2016 |
|---|---|---|---|
| Total return per share | **115.61p** | 89.58p | 205.92p |
| Dividend per share* | **13.00p** | – | 23.00p |

*See note 2 on page 12.

# Performance (total return basis)

| | **Six months to 31 March 2017** | Six months to 31 March 2016 | Year ended 30 September 2016 |
|---|---|---|---|
| Net asset value per share | **+16.2%*** | +18.2%* | +41.0%† |
| Benchmark# | **+15.4%** | +14.3% | +27.1% |
| Share price† | **+13.3%** | +12.2% | +37.6% |

# The benchmark is the MSCI EM Europe 10/40 Index.
† Source: AIC using Morningstar.
* Source: Barings.

# The Alternative Investment Fund Manager

The Alternative Investment Fund Manager is Baring Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.

# Chairman's statement

Dear Shareholder,

Investing in Emerging Europe is rarely dull. The first half of the Company's financial year produced a sterling total return in NAV per share of 16.2%. This compares well with the benchmark, which rose by 15.4%. The markets in general were buoyed by optimism that the Trump presidency would deliver improved relations with Russia and a structural upward shift in growth in the US economy. Turkey did not participate in the exuberance, seeing a sharp decline in its currency as the country lurches towards autocracy. Both the gearing in the portfolio and sterling weakness contributed positively to the absolute level of return. It is worth noting that the NAV is up almost 40% over the past 12 months.

## Performance

The Company's long-term performance against benchmark remains good and continues to do well within its peer group. Over the six month period covered by this statement, the Company ranks 13th out of 42 comparators. Over one year, it is 7th out of 42; over five years, 4th out of 41; and over ten years, 5th out of 32. These are excellent numbers in what has been a difficult and volatile investment environment and are a credit to Matthias Siller, your investment manager. As mentioned in the Annual Report last year, Matthias continues to be responsible for the management of your Company and is supported by Maria Szczesna and Adnan El-Araby who are co-investment managers at Barings.

## Tender Offer

In January, we offered shareholders the opportunity to tender shares up to a total of 10% of the outstanding share capital at 97.5% of the then NAV. This offer was fully subscribed and resulted in the repurchase of 1.6 million shares for a consideration of £12.7 million. The tender honoured a commitment by the Board in the event that the discount to NAV had averaged greater than 12% during the preceding year. As part of our efforts to control the discount while not allowing the market capitalisation to drop to a point where it ceases to be relevant for investors, we introduced at the same time a number of other changes which we believe will help this goal. Firstly, we have made a commitment to hold a tender for 25% of the Company's outstanding equity if the discount averages greater than 12% or the performance of the Company's portfolio on a total return basis does not exceed the benchmark by an average of 100 basis points per annum over the four year period ending on 30 September 2020. Secondly, we have announced an increase in the Company's focus on dividend yield by paying income from capital where considered appropriate. Lastly, we have increased the ability of the investment manager to invest outside the benchmark from 5% to 15%. He has made use of this facility through an initial investment in the Middle East.

## Discount Management

During the period, apart from the shares repurchased through the tender, we have bought back 527,848 shares for a consideration of £3.4 million.

As at the time of writing, the discount remains stubbornly wide, at 14%. The Board believes that its initiatives will bear fruit in time, but will bolster the strategic changes with a greater focus on shareholder communication and the continuing use of buybacks where appropriate.

## Interim Dividend

In the first half of the financial year, the income account had a small surplus, of 0.21 pence per share. As usual, our projections for the second half of the year point to a significantly higher level of dividend flow than in the first half, and indeed, part of this has come in subsequent to the half-year end. In line with our stated policy as set out in the circular sent to shareholders in December, we are declaring a maiden interim dividend of 13 pence per share, which is uncovered by the income account. This is based on our forecasts for the year as a whole and includes an expectation that part of the dividend will be paid out of retained reserves. This reflects our statement that yield would be more of a focus for the Company in the future and that shareholders should not expect dividends to be fully covered by the income account.

# Chairman's statement (continued)

## Gearing

During the past year, the Company has had a borrowing facility of up to $17 million. This was renewed on 12 April. The facility has been partly used throughout the period and at 31 March was drawn to the extent of $12 million. That means that the gearing ratio was 107%, with a possible maximum gearing, should the facility be fully utilised, of 109%. The Board reiterates its belief that this level of gearing is appropriate for the Company and that the investment landscape is attractive enough to warrant borrowing. The volatility of the markets means that it is prudent that this borrowing be short term in nature.

## Outlook

The period under review was dominated in large part by the markets accommodating the arrival of Donald Trump onto the world stage. Initial optimism, though, has begun to fade as economic reality has barged back into the picture, compounded by heightened geopolitical tension in the Far East as well as in Turkey and Syria. This feels like business as usual in our region. In the recent past, the wise counsel would have been to ignore the sound and fury of politics and concentrate on the opportunities at the corporate level. This was because the turmoil allowed investors to acquire decent assets at rock bottom prices. This remains the case. Of course, the ups and downs of Russia's relationship with the rest of the world and the intrigue surrounding Mr Erdogan's creation of a more authoritarian state make the headlines, but behind these, real value awaits the patient and careful investor.

**Steven Bates**
Chairman

16 May 2017

# Report of the Alternative Investment Fund Manager

for the half year ended 31 March 2017

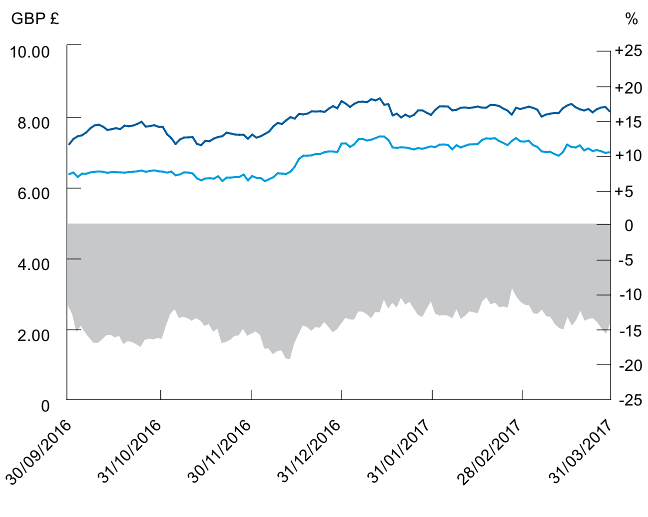
## Performance

Against the backdrop of a diverse set of market conditions, your Company posted a return of 16.2% in the NAV in Sterling terms against a benchmark performance of 15.4%.

From a global perspective, emerging markets had to come to terms with the shadow that the Trump victory in the US presidential elections cast over global trade relations. While the fear of a more protectionist global framework was counterbalanced by the reflationary approach pursued by policy makers in the new US cabinet, the implications for Emerging European stock markets, and specifically for Russia, were more politically charged. The assumption that a Trump administration would adopt a more lenient policy approach towards Russia galvanized the stock market in the immediate aftermath of the US election results, propelling the Moscow Index up by more than 20% in USD terms in the seven weeks from US elections to year end. The Turkish equity market, on the other hand, suffered from a rapid devaluation of the Turkish Lira as global markets started to price in rising inflation expectations and interest rates as well as political uncertainty.

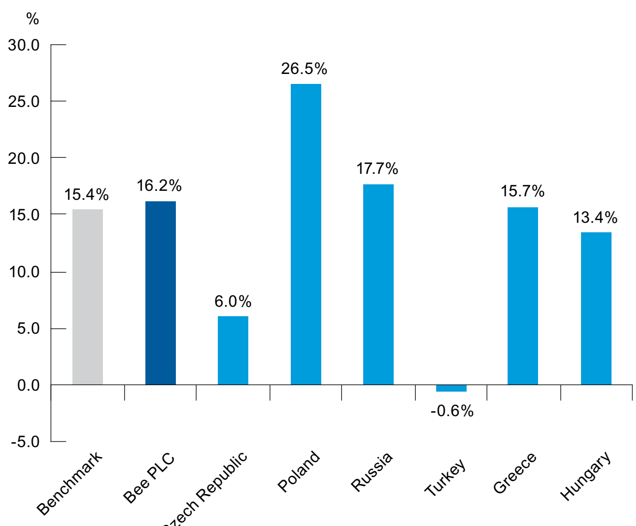
While your Company's portfolio has benefited from diversification effects, keeping overall volatility low, Emerging European markets did not feel tranquil to most participants. Key currencies such as the Polish Zloty, the Turkish Lira and the Russian Rouble fluctuated considerably over the period and were the dominant influence on Sterling returns. In the case of the Russian Rouble, markets remain impressed by the strictly orthodox policy stance of the Russian Central Bank under Governor Nabiullina, who, determined to anchor inflation expectations, kept monetary policy tight even as the macroeconomic recovery started to improve slowly. The subsequent double-digit Rouble appreciation set the tone for Russian assets over the course of the six months, thereby generating a substantial part of the overall performance on the Russian stock market. For Murat Centinkaya, on the other side, the end of the first year of his tenure as Governor of the Central Bank of Turkey ('CBoT'), proved to be an especially testing period as political interference in the run up to the presidential referendum in April 2017 had markets question the CBoT's very mandate. The Turkish Lira, however, gained traction when the Central Bank started to act decisively by tightening liquidity and increasing interest rates in January 2017. This, paved the way for a substantial rebound in asset prices on the Turkish market.

### Baring Emerging Europe PLC
### NAV per share; share price; % discount




Source: Northern Trust

### Fund, Benchmark and Country Returns (£)
### 30 September 2016 to 31 March 2017




Source: Barings

# Report of the Alternative Investment Fund Manager (continued)

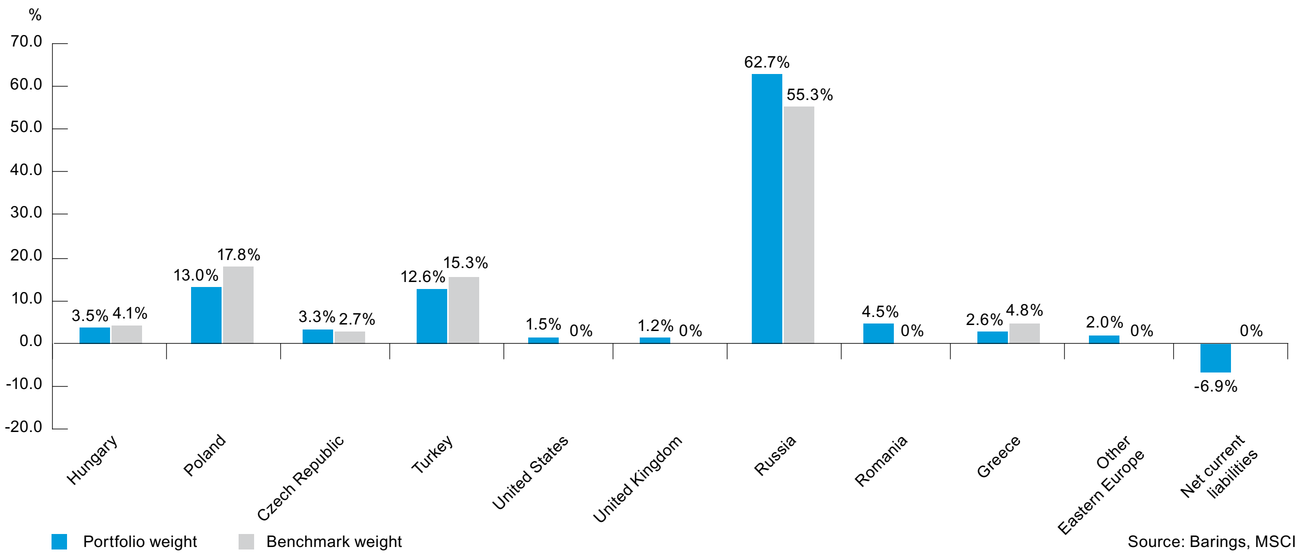
The strengthening Rouble also had an impact at the sector level, affecting export-orientated stocks and domestic orientated companies in different ways. The oil and gas sector was weak, reflecting its export orientation and notwithstanding the local currency denomination of its key inputs (labor, utilities, oilfield services). While the strong performance of a large number of domestically exposed companies in sectors such as finance, real estate, retail and information technology was equally logical.

With Russian stocks in full swing at the turn of the year, little doubt prevailed over 2017 bringing improvements on the diplomatic front for the Kremlin. The subsequent realisation that the “reset” of Russo-American relations would not materialise as fast as originally assumed shed cold water on a stock market positioned for further gains. The demise of Michael Flynn, widely believed to be one of the most Russia-friendly proponents of the US administration and who resigned as US national security adviser, serves as a good indicator in that respect. Tellingly, Russia, one of the strongest performing markets in the last quarter of the year 2016, gave back a part of its gains, sending it to the bottom of global markets’ performance rankings so far in 2017.

The Polish equity market came out on top of Emerging European equity markets over the period of the last six months, mainly on the back of a tremendous performance in the first quarter of 2017. Indeed, the Warsaw stock exchange’s sudden change of fortune serves as a reminder of how fast Emerging European equity markets can rise (or fall) when sentiment changes. Previously scorned for the heavy handed approach of ruling right wing PiS, it took only a somewhat softer regulatory approach together with first signs of market consolidation in the banking sector to shift investors’ attention back to what remains one of the most successful European economies with vibrant domestic demand and a booming export sector.

In a vote of confidence by investors, Emerging European equity markets experienced a return of IPO activity and a flurry of secondary offerings. Notably, Russia, an absentee from the IPO scene mostly for political reasons, set the stage for its first internationally marketed IPO in years. The country’s leading children’s goods and toy store Detsky Mir made its debut on the Moscow stock exchange in early February. Equally important, in our view, is the fact that we also saw money flowing in the other direction. For example, the recent take-over offers for minority shareholders in the listed Russian electronic goods retailer MVideo in Russia and the listed Turkish chicken producer Banvit by a joint venture of Brazil Foods and Qatar Investment Authority, demonstrates the potential investors can find in well run companies in our region. The fact that minority investors are being treated correctly highlights the progress corporate governance standards have made in recent years, a development that can hardly be overestimated in its importance for further improvements.

## Geographical exposure of portfolio (% Fund and % Benchmark) at 31 March 2017




Source: Barings, MSCI

## Activity

As a direct consequence of the improving domestic backdrop in Russia and our expectations with regards to the growth potential of Russian companies, we increased our exposure to the retailing sector, in Russia and expressed our preference for the supermarket chain X5 over rival Magnit by tilting the portfolio more towards the former. Equally, adding to the existing position in the Russian residential real estate developer LSR reflects our positive view on the sector. In the commodity sector, we switched out of Phosagro, a long-term holding, as we considered the company fully valued against the backdrop of rising phosphate fertilizer supply and allocated funds to the Russian diamond miner Alrosa and specialist steel pipe producer TMK. With regards to Central European markets, we participated in the secondary offering of the high yielding Czech lender Moneta as owner GE Capital decided to reduce its stake further to below 20%. Portfolio positions in cinema operator Cineworld and construction materials producer Wienerberger were sold as both companies appreciated beyond our price targets on the back of positive operational performance. In accordance with the recently increased geographic mandate of your Company and leveraging Baring's expertise in developing markets, we participated in the offering of the Gulf-based hospital operator NMC Health making it the first investment in the extended investment universe. In Turkey, we sold out of the largest private bank Akbank as we deemed its potential for further gains relatively slim after the stock had performed well against peers. Consequently, we also sold our position in Akbank's parent Sabanci Holding, because the bank represents the largest share of its net asset value. We added to the leading supermarket chain Migros, as we believe its recent acquisition of Tesco's Turkish assets (Kipa) will contribute to growth. As mentioned above, the buy-out offer in the leading Russian electronic goods retailer MVideo propelled the stock to all-time highs and towards our price target, prompting us to sell.

## Outlook

The economic backdrop in most Emerging European economies strengthened recently and makes us look optimistically towards the remainder of 2017. Sentiment indicators such as purchasing managers' indices both in Central Europe and Russia improved on the back of healthy growth in Western European markets and stable oil prices. Turkey, on the other side, has seen a substantial adjustment in asset prices over the last quarter of 2016, which sets the bar for positive economic and political surprises relatively low. Further, we sense that the trend of improving corporate governance standards on Emerging European equity markets is here to stay, a view that is supported by increasing payout ratios and dividends from the companies in the portfolio. We note that the Company's share price performance over recent quarters has been driven by rising earnings and dividends from the companies in your portfolio. As a result, we believe Emerging European equity markets remain attractive on a relative basis and offer further upside.

Matthias Siller
Maria Szczesna
Adnan El-Araby
**Baring Fund Managers Limited**

16 May 2017

# Investment Portfolio

The Company's investment portfolio at 31 March 2017, is set out in the following table:

| | Holding | Primary country of listing or investment | Market value £000 | % of equity portfolio |
|---|---|---|---|---|
| 1 | Sberbank | Russia | 12,873 | 11.06 |
| 2 | Lukoil Holdings | Russia | 10,242 | 8.80 |
| 3 | PZU | Poland | 6,193 | 5.32 |
| 4 | Magnit | Russia | 5,015 | 4.31 |
| 5 | Novatek | Russia | 4,963 | 4.26 |
| 6 | Garanti Bank | Turkey | 4,954 | 4.26 |
| 7 | AO Tatneft | Russia | 4,132 | 3.55 |
| 8 | LSR | Russia | 4,038 | 3.47 |
| 9 | Gazprom | Russia | 3,554 | 3.05 |
| 10 | Alrosa | Russia | 3,551 | 3.05 |
| 11 | OTP Bank | Hungary | 3,287 | 2.82 |
| 12 | CCC | Poland | 3,014 | 2.59 |
| 13 | Grupa Kety | Poland | 2,869 | 2.46 |
| 14 | TCS | Russia | 2,868 | 2.46 |
| 15 | X5 Retail Group | Netherlands | 2,867 | 2.46 |
| 16 | BANCA | Romania | 2,455 | 2.11 |
| 17 | Globaltrans | Russia | 2,384 | 2.05 |
| 18 | Megafon | Russia | 2,290 | 1.97 |
| 19 | Yandex | Russia | 2,250 | 1.93 |
| 20 | Halk Bank | Turkey | 2,243 | 1.93 |
| | Other investments | | 38,404 | 32.99 |
| | **Total investments** | | **124,446** | **106.90** |
| | **Net current liabilities** | | **(8,029)** | **(6.90)** |
| | **Net assets** | | **116,417** | **100.00** |

# Income statement

(incorporating the Revenue Account*) for the six months to 31 March 2017

| | | | | (Unaudited) |
|---|---|---|---|---|
| | | Six months to 31 March 2017 | | |
| | | Revenue | Capital | Total |
| | Notes | £000 | £000 | £000 |
| Gains on investments held at fair value through profit or loss | | – | 18,021 | 18,021 |
| Income | | 717 | – | 717 |
| Investment management fee | | (230) | (230) | (460) |
| Other expenses | | (374) | – | (374) |
| **Return on ordinary activities** | | 113 | 17,791 | 17,904 |
| Finance costs | | (63) | (63) | (126) |
| **Return on ordinary activities before taxation** | | 50 | 17,728 | 17,778 |
| Taxation | | (17) | – | (17) |
| **Return on ordinary activities after taxation attributable to Shareholders** | | 33 | 17,728 | 17,761 |
| **Return per ordinary share** | 6 | 0.21p | 115.40p | 115.61p |

*The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

There is no other comprehensive income.

| | (Unaudited) Six months to 31 March 2016 | | | (Audited) Year ended 30 September 2016 | | |
|---|---|---|---|---|---|---|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| | – | 15,280 | 15,280 | – | 31,822 | 31,822 |
| | 932 | – | 932 | 5,363 | – | 5,363 |
| | (179) | (242) | (421) | (402) | (465) | (867) |
| | (346) | – | (346) | (711) | – | (711) |
| | 407 | 15,038 | (15,445) | 4,250 | 31,357 | 35,607 |
| | (40) | (40) | (80) | (96) | (96) | (192) |
| | 367 | 14,998 | 15,365 | 4,154 | 31,261 | 35,415 |
| | (47) | – | (47) | (531) | – | (531) |
| | 320 | 14,998 | 15,318 | 3,623 | 31,261 | 34,884 |
| | 1.87p | 87.71p | 89.58p | 21.39p | 184.53p | 205.92p |

# Statement of Financial Position

as at 31 March 2017

| | (Unaudited) At 31 March 2017 £000 | (Unaudited) At 31 March 2016 £000 | (Audited) At 30 September 2016 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value through profit or loss | **124,446** | 107,228 | 124,527 |
| **Current assets** | | | |
| Debtors | **76** | 187 | 3,473 |
| Cash and cash equivalents | **2,515** | 2,439 | 1,934 |
| | **2,591** | 2,626 | 5,407 |
| **Current liabilities** | | | |
| **Creditors:** amounts falling due within one year | **(10,620)** | (8,113) | (11,484) |
| **Net current liabilities** | **(8,029)** | (5,487) | (6,077) |
| **Net assets** | **116,417** | 101,741 | 118,450 |
| **Capital and reserves** | | | |
| Called-up share capital | **1,760** | 2,017 | 1,971 |
| Share premium account | **1,411** | 1,411 | 1,411 |
| Capital reserve | **106,041** | 91,053 | 104,459 |
| Redemption reserve | **3,028** | 2,771 | 2,817 |
| Revenue reserve | **4,177** | 4,489 | 7,792 |
| **Total Shareholders' funds** | **116,417** | 101,741 | 118,450 |
| **Net asset value per share** | **815.62p** | 603.51p | 722.82p |

# Statement of Changes in Equity

| (Unaudited)<br>For the six months ended 31 March 2017 | Called-up share capital £000 | Share premium account £000 | Capital reserve £000 | Redemption reserve £000 | Revenue reserve £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 30 September 2016 | **1,917** | **1,411** | **104,459** | **2,817** | **7,792** | **118,450** |
| Return for the six months to 31 March 2017 | **–** | **–** | **17,728** | **–** | **33** | **17,761** |
| Buyback of own shares for cancellation | **–** | **–** | **(15,857)** | **–** | **–** | **(15,857)** |
| Transfer to capital redemption reserve | **(211)** | **–** | **–** | **211** | **–** | **–** |
| Tender offer costs | **–** | **–** | **(289)** | **–** | **–** | **(289)** |
| Dividends paid | **–** | **–** | **–** | **–** | **(3,648)** | **(3,648)** |
| **Balance at 31 March 2017** | **1,760** | **1,411** | **106,041** | **3,028** | **4,177** | **116,417** |

| (Unaudited)<br>For the six months ended 31 March 2016 | Called-up share capital £000 | Share premium account £000 | Capital reserve £000 | Redemption reserve £000 | Revenue reserve £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 30 September 2015 | 2,107 | 1,411 | 80,672 | 2,681 | 8,077 | 94,948 |
| Return for the six months to 31 March 2016 | – | – | 14,998 | – | 320 | 15,318 |
| Buyback of own shares for cancellation | – | – | (4,617) | – | – | (4,617) |
| Transfer to capital redemption reserve | (90) | – | – | 90 | – | – |
| Dividends paid | – | – | – | – | (3,908) | (3,908) |
| **Balance at 31 March 2016** | 2,017 | 1,411 | 91,053 | 2,771 | 4,489 | 101,741 |

| (Audited)<br>For the year ended 30 September 2016 | Called-up share capital £000 | Share premium account £000 | Capital reserve £000 | Redemption reserve £000 | Revenue reserve £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 30 September 2015 | 2,107 | 1,411 | 80,672 | 2,681 | 8,077 | 94,948 |
| Return for the year to 30 September 2016 | – | – | 31,261 | – | 3,623 | 34,884 |
| Buyback of own shares for cancellation | – | – | (7,474) | – | – | (7,474) |
| Transfer to capital redemption reserve | (136) | – | – | 136 | – | – |
| Dividends paid | – | – | – | – | (3,908) | (3,908) |
| **Balance at 30 September 2016** | 1,971 | 1,411 | 104,459 | 2,817 | 7,792 | 118,450 |

Distributable reserves comprise: the revenue reserve and capital reserves attributable to realised profits.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve.

# Notes to the half year report

## 1. Accounting policies

A summary of the principal accounting policies is set out below:

### (a) Basis of accounting

The financial statements have been prepared in accordance with the applicable UK Accounting Standards, being FRS102 – The Financial Reporting Standard – and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in November 2014). The half-year accounts are prepared in accordance with Financial Reporting Standard 104 – Interim Financial Reporting.

The financial information for the year ended 30 September 2016 included in this report, has been taken from the Company's full accounts, as restated to comply with FRS from the transition date 1 October 2016. Restatement of opening balances relating to equity values, assets and liabilities and profits and losses of the Company between UK GAAP as previously reported and under FRS as restated have not been presented as there have been no required changes to the reported amounts. Therefore restatement tables have not been prepared for any of the primary statements.

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

## 2. Dividend

A maiden interim dividend of 13 pence per share was declared on 16 May 2017 and will be paid on 23 June 2017 to members on the register at the close of business on 26 May 2017. The shares will be marked ex-dividend on 25 May 2017.

The final dividend in respect of the year ended 30 September 2017 will be considered at a Board meeting to be held in November 2017. An announcement will be made shortly after that meeting.

## 3. Comparative information

The figures and financial information for the year ended 30 September 2016 are an extract from the latest published accounts and do not constitute statutory accounts. Full accounts for that period have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The half year report for the six months ended 31 March 2017 and for the six months ended 31 March 2016 have been neither audited nor reviewed by the auditors.

## 4. Shares in issue

As at 31 March 2017 there were 14,273,506 ordinary shares of 10p each in issue (30 September 2016: 16,387,212 and 31 March 2016: 16,858,301) which excludes 3,318,207 ordinary shares held in treasury (30 September 2016: 3,318,207 and 31 March 2016: 3,318,207) and treated as not being in issue when calculating the net asset value per share. Shares held in treasury are non-voting and not eligible for receipt of dividends. During the period 2,113,706 ordinary shares were bought back to be cancelled at a cost of £16,146,000.

# Notes to the half year report (continued)

## 5. Taxation

The taxation charge of £17,000 (30 September 2016: £531,000 taxation charge; and 31 March 2016: £47,000 taxation charge) relates to overseas taxation.

## 6. Return per ordinary share

The total return per ordinary share is based on the return on ordinary activities after taxation of £17,761,000 (six months ended 31 March 2016: £15,318,000; and year ended 30 September 2016: £34,884,000) and on a weighted average of 15,362,675 ordinary shares in issue during the six months ended 31 March 2017 (six months ended 31 March 2016: weighted average of 17,098,777 ordinary shares in issue; and year ended 30 September 2016: weighted average of 16,940,616 ordinary shares in issue).

# Interim management report

## Going concern

The Directors believe that, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, the Company has adequate resources and an appropriate financial structure in place to continue in operational existence for the foreseeable future. The assets of the Company consist mainly of securities which are readily realisable. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Principal risks and uncertainties

The Board believes that the principal risks and uncertainties faced by the Company continue to fall under the following broad categories:

- Investment and strategy.
- Accounting, legal and regulatory.
- Loss of investment team or Alternative Investment Fund Manager.
- Discount.
- Corporate governance and shareholder relations.
- Operational.
- Financial.
- Future developments.

Information of each of these is given in the Strategic Report in the Annual Report for the year ended 30 September 2016.

## Related party transactions

The Alternative Investment Fund Manager is regarded as a related party and details of the management fee payable during the six months ended 31 March 2017 is shown in the Income Statement on pages 8 and 9. There have been no other related party transactions during the six months ended 31 March 2017. The Directors' current level of remuneration is £25,000 per annum for each Director with the Chairman of the Audit Committee receiving an additional fee of £2,500 per annum. The Chairman's fee is £33,000 per annum.

# Interim management report (continued)

## Directors' responsibility statement

The Directors are responsible for preparing the interim report, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- The condensed set of financial statements within the interim report has been prepared in accordance with FRS 104 issued by the Accounting Standards board on "Half-Yearly Financial Reports" and gives a true and fair view of the state of the affairs of the Company and of the assets, liabilities, financial position and net return of the Company, as at 31 March 2017, as required by the UK Listing Authority Disclosure Guidance and Transparency Rules 4.2.4R;
- The Interim Management Report includes a fair review of the information required by 4.2.7R (indication of important events during the first six months of the year, their impact on the condensed set of financial statements, and a description of the principal risks and perceived uncertainties for the remaining six months of the financial year); and
- The Interim Management Report includes a fair review of the information concerning related parties transactions as required by Disclosure and Transparency Rule 4.2.8R.

For and on behalf of the Board

**Steven Bates**
Chairman

16 May 2017

# Directors and officers

## Directors

Steven Bates, Chairman
Ivo Coulson
Frances Daley
Nadya Wells
Jonathan Woollett

## Secretary

M. J. Nokes, F.C.A.

## Registered office

155 Bishopsgate
London EC2M 3XY

## Company number

4560726

## Alternative Investment Fund Manager

Baring Fund Managers Limited
155 Bishopsgate
London EC2M 3XY

Telephone: 020 7628 6000
Facsimile: 020 7638 7928

## Auditor

KPMG LLP
15 Canada Square
London E14 5GL

## Custodian & Depositary

State Street Bank & Trust Company Limited
20 Churchill Place
Canary Wharf
London E14 5HJ

## Administrator

Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London E14 5NT

Telephone: 0207 982 2000

## Registrars and transfer office

Capita Asset Services
The Registry
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Registered office as above.