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## Aberdeen Latin American Income Fund Limited

Interim Report  
30 December 2010



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## Investment Objective

The investment objective of the Company is to provide Ordinary shareholders with a total return, with an above average yield, primarily through investing in Latin America.

# Highlights and Financial Calendar

## Financial Highlights

30 December 2010

Total assets (£'000)	<b>62,715</b>
Equity shareholders' funds (£'000)	<b>57,517</b>
Net asset value per Ordinary share	<b>110.4p</b>
Share price of Ordinary share (mid-market)	<b>111.3p</b>
Share price of Subscription share (mid-market)	<b>18.8p</b>
Premium to net asset value on Ordinary shares	<b>0.8%</b>

## Performance<sup>A</sup>

Period ended  
30 December 2010

Net asset value per Ordinary share	+12.8%
Share price per Ordinary share	+12.3%
Composite MSCI EM Latin American 10/40 Index/JP Morgan Emerging Markets Bond Index Global Diversified (sterling adjusted)	+13.1%

<sup>A</sup>Total return (capital return plus dividends reinvested)

## Financial Calendar

<b>31 January 2011</b>	First interim dividend paid
<b>28 February 2011</b>	Announcement of Half-Yearly Report for the period to 30 December 2010
<b>March 2011</b>	Half-Yearly Report posted to shareholders
<b>28 April 2011</b>	Payment of second interim dividend
<b>29 July 2011</b>	Payment of third interim dividend
<b>31 August 2011</b>	Year end
<b>October 2011</b>	Announcement of results for the period ended 31 August 2011
<b>31 October 2011</b>	Payment of fourth interim dividend
<b>20 December 2011</b>	Annual General Meeting in Jersey

# Interim Board Report

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## Background

This is my first report to shareholders since Aberdeen Latin American Income Fund Limited was launched on 16 August 2010. This is an interim report in respect of the period from the Company's incorporation to 30 December 2010. My next report to you will be with the Company's first annual report which will be prepared up to 31 August 2011. Regular half yearly reports will henceforth cover the six months ending 28 February annually.

I am pleased that the Company launched very satisfactorily with the opening net asset value struck at 98.8p, after taking account of launch expenses which were partially defrayed by the Manager's purchase for cash of subscription shares. The net asset value was 110.4p at 30 December 2010, a rise of 12.8% in the period as compared to an increase of 13.1% in our composite benchmark index. As shareholders are aware we use the benchmark index solely to measure the performance of the Company and our Manager does not seek to replicate the index in the construction of the Company's portfolio.

Following receipt of the issue proceeds, the draw down of bank debt and the investment of the gross proceeds was completed quickly and the anticipated asset allocation to 60% in equities and 40% in bonds was established. We currently have drawn borrowings of USD8 million, under the £10 million 364 day multi-currency revolving credit facility, which is presently at an all in rate of 1.6143%.

We have declared our inaugural first interim dividend of 1p per share and this was paid on 31 January 2011 to Ordinary shareholders on the register at close of business on 24 December 2010. Dividends will be payable quarterly in line with the prospectus timetable and it remains the Company's aim to provide Ordinary shareholders with an initial yield of not less than 4.25% (based on the issue price of 100p) in respect of our first financial period ending 31 August 2011. While income generated in this first period has been in line with expectations, this target dividend yield remains subject to investee company performance, currency movements and possible unforeseen circumstances and does not constitute a profit forecast.

## Performance Commentary

During the period under review, the equity portfolio rose by 19.1%, outperforming the MSCI EM Latin American 10/40 benchmark index gain of 15.4%. Our overweight exposure to Mexico was a key contributor to relative return, where the market rebounded particularly strongly following earlier weakness. However, stock selection proved weaker as our holdings lagged the recovery seen in the large cap Mexican materials companies, Grupo Mexico and Cemex, which the portfolio does not hold on corporate governance concerns.

Despite this, retail bank Banorte was boosted by its acquisition of IXE Bank, while airport operator Asur was helped by encouraging third-quarter results. Stock selection in Brazil continued to be satisfactory, although the broader market lagged the index. Dental insurer OdontoPrev announced a deal with Banco do Brazil, which will expand its distribution reach and port operator Wilson Sons posted robust third-quarter results as did the Brazilian book store operator Saraiva which also benefited from positive business prospects. Elsewhere, Argentinean oil and gas pipe producer Tenaris was aided by a more optimistic demand and pricing outlook.

The second half of 2010 was dominated by the expectations and delivery of Quantitative Easing '2' by the US Federal Reserve as well as a pick up in global growth and inflation expectations. This led, initially, to a strong rally in Latin American bond markets, followed by a sharp correction in November and December. The JPM GBI-EM global diversified Latin American index returned 5.45% with Brazil being a significant outperformer, returning 10.4%. Mexico was the second best performer returning 2.5%, followed by Peru at 1.7%. Our significant underweight in Colombian bonds proved beneficial with Colombia returning just 1.3% over the period.

In Brazil, Finance Minister Mantega voiced concerns about a global currency war amid surging capital inflows of over USD14 billion in September 2010. Brazilian Central Bank Governor Meirelles also echoed Finance Minister Mantega's concerns about excessive currency appreciation, prompting renewed talk of higher capital-inflow taxes after the new government took power in November. Despite renewed intervention efforts by the Brazilian central bank, and the recent authorization of the Sovereign Wealth Fund to start buying USD, strong market technicals and portfolio inflows continued to cause the Brazilian Real to appreciate. In October, with bond market inflows targeted in particular, the financial transactions (IOF) tax was raised twice in quick succession to 6%. The continued strength of the Brazilian Real shows how ineffectual these measures have been, and how strong the balance of payments in Brazil actually is. Mexico is benefiting from a stronger outlook for the US economy, which has led to some catch up from the previously underperforming Peso. Manufacturing exports clearly illustrate Mexico is competitive at these currency valuations and the government still seem very averse to direct intervention to slow appreciation.

**Richard Prosser**

Chairman

28 February 2011

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## Investment Manager's Overview

Regional GDP growth is projected to slow, while food inflation is likely to worsen, which could present serious problems to policymakers. As such, central banks in the region are likely to raise interest rates. Nevertheless, Latin American equities continue to be supported by healthy economic fundamentals, positive earnings forecasts and a favourable global economic backdrop for emerging markets as a whole. Although present equity market valuations are reasonable, a degree of caution is merited. A second round of Brazilian elections saw Dilma Rousseff, out-going President Lula's favoured candidate, win through to become the country's first woman president elect. This should provide continuity for Lula's policies of economic redistribution and social inclusion.

Looking ahead, we think risk appetite should improve following a period of weakness at the end of 2010, which was driven by concerns about Eurozone peripheral countries, the US Treasury sell off, and the usual lack of liquidity at year end. Another US Treasury sell off is unlikely in the short-term, hence the backdrop for emerging market debt heading into 2011 remains constructive, albeit one with more risks on the horizon compared to a year ago.

Whilst this cautious outlook has been reflected in the performance of markets to date in 2011, and in the consequent fall in the Company's net asset value which at the time of writing is 102.05p, we continue to believe that, with our focus on careful stock selection based on proprietary research and the application of a disciplined investment process, Latin America should continue to offer investors the potential for significant returns in the medium to long term.

### **Aberdeen Asset Managers Limited**

28 February 2011

## Principal Risk Factors

### Investment Objective

The investment manager will apply investment techniques and risk analyses in making investment decisions for the Company, but there can be no guarantee that these will produce the desired results. There is, therefore, no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company or that the Company will achieve its investment objective.

### Ordinary Shares

The market price of the Ordinary shares, as well as being affected by their underlying net asset value ("NAV"), also takes into account their dividend yield, prevailing interest rates, the interaction of supply and demand for the Ordinary shares in the market, market conditions generally and general investor sentiment. As a result, and notwithstanding the existence of share buy-back powers and the Board's discount management policy, the market price of the Ordinary shares may vary considerably from the NAV per Ordinary share (representing either a discount or a premium to that NAV) and may fall when the underlying NAV per Ordinary share is rising, or vice versa. The exercise of the conversion rights conferred by the subscription shares will result in a dilution of Ordinary shareholders' interests if the NAV per Ordinary share exceeds the conversion price payable on the conversion of a Subscription share at the relevant time.

### Subscription Shares

Subscription shares represent a geared investment, so a relatively small movement in the market price of the Ordinary shares may result in a disproportionately large movement, unfavourable as well as favourable, in the market price of the Subscription shares. The market price of the Subscription shares may therefore be volatile. Although Subscription shares are tradable securities, market liquidity in the subscription shares may be less than that of the Ordinary shares.

### Shares General

Investment in the Ordinary shares and/or the Subscription shares should be regarded as medium to long-term in nature and may not be suitable as a short-term investment.

### Dividends

The Company will only pay dividends on the Ordinary shares to the extent that it has sufficient financial resources available for the purpose in accordance with Jersey Company law. Accordingly, there is no guarantee that the Company's dividend objective will be met and the amount of dividends paid to Ordinary shareholders may fluctuate.

## Borrowings

Whilst the use of borrowings should enhance the total return on the Ordinary shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Ordinary shares. The use of borrowing may increase the volatility of the NAV of the Ordinary shares and the share price of the Ordinary shares and/or the Subscription shares.

## Market Risks

Investment in emerging securities markets such as in the Latin American region involves greater risks and other considerations not typically associated with investment in more developed securities markets. Stockmarket movements and changes in economic conditions (including, for example, interest rates, foreign exchange rates and rates of inflation), industry conditions, corporate governance, competition, political and diplomatic events, tax or other laws, investors' perceptions and other factors can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects. The risks inherent in Latin America may result in increased volatility in the shares of Latin American companies and portfolios which invest in them when compared to their counterparts in developed markets. Investment companies investing in Latin America may display greater share price and NAV volatility than those investing in developed markets.

## Foreign Exchange Risks

The Company will account for its activities, report its results and net asset value per Ordinary share and declare and pay dividends in sterling while its investments will be made and realised in other currencies. Accordingly, the movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn may have a material effect, unfavourable as well as favourable, on the returns otherwise experienced on the investments made by the Company. Foreign exchange risk may increase the volatility of the NAV and, consequently, share price of the Ordinary shares.

## General

The Company does not have a fixed life and, therefore, unless shareholders vote to wind up the Company, shareholders will only be able to realise their investment through the stockmarket.

## Taxation and Exchange Controls

Any change in the Company's tax status or in taxation legislation or in the interpretation of taxation legislation or in the tax treatment of dividends, interest or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's

ability to provide returns to Ordinary shareholders or alter the post-tax returns to Ordinary shareholders. The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments.

Full information on these and other risks is detailed in the Prospectus of the Company dated 14 July 2010 which is available on the Company's website [www.latamincome.co.uk](http://www.latamincome.co.uk).

## Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

The related party transactions during the period are disclosed in the notes to the accounts. There have been no related party transactions that have had a material effect on the financial position of the Company during the period.

## Directors' Responsibility Statement

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

- the condensed set of interim financial statements contained within the financial report which have been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports" give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and,
- the Interim Board Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

The interim financial report includes a fair review of the information required on material transactions with related parties and changes since incorporation.

For and on behalf of the Board of Aberdeen Latin American Income Fund Limited

**Richard Prosser**  
Chairman  
28 February 2011

# Investment Portfolio – Equities

As at 30 December 2010

Company	Valuation £'000	Total portfolio %
Vale ADR	3,833	6.2
Petroleo Brasileiro ADR	3,462	5.6
Banco Bradesco ADR	3,304	5.4
America Movil ADR	2,582	4.1
Tenaris ADR	1,944	3.1
Grupo Financiero Banorte	1,666	2.7
Lojas Renner	1,451	2.3
Multiplan Empreendimentos	1,441	2.3
Fomento Economico Mexicano ADR	1,414	2.3
Natura Cosméticos	1,372	2.2
Ten largest investments	<b>22,469</b>	<b>36.2</b>
Ultrapar Participacoes ADR	1,369	2.2
Itau Unibanco Holdings ADR	1,169	1.9
Banco Santander-Chile ADR	1,018	1.7
Odontoprev	921	1.5
Grupo Aeroportuario de Sureste	874	1.4
Wal-Mart de Mexico	837	1.4
CIA Souza Cruz	774	1.2
Empresa Nacional de Electricidad	764	1.2
Wilson Sons	754	1.2
Organizacion Soriana	747	1.2
Twenty largest investments	<b>31,696</b>	<b>51.1</b>
Kimberly-Clark de Mexico	686	1.1
Bradespar	623	1.0
Grupo Aeroportuario del Centro Nort ADR	609	1.0
Cielo Spons ADR	591	1.0
Valid Solu E Servicios de Seguridad	578	0.9
Localiza Rent a Car	573	0.9
Brasil Foods SA Sponsored ADR	571	0.9
Urbi Desarrollos Urbanos	557	0.9
BM&F Bovespa	554	0.9
TOTVS	526	0.8
Thirty largest investments	<b>37,564</b>	<b>60.5</b>
Saraiva Livreiros	516	0.8
Usinas Sid Minas Gervais Usiminas	483	0.8
WEG	460	0.7
Embraer Spons ADR	398	0.7
Amil Participacoes	389	0.6
<b>Total Equity shares</b>	<b>39,810</b>	<b>64.1</b>

## Investment Portfolio – Other Investments

As at 30 December 2010

	Valuation	Total
	£'000	portfolio
Fixed Interest		%
Brazil (Fed Rep of) 10% 01/01/13	5,592	9.0
Brazil (Fed Rep of) 10% 01/01/17	4,460	7.2
Mexico (United Mexican States) 7.75% 14/12/17	2,730	4.4
Mexico (United Mexican States) 8% 07/12/23	2,486	4.0
Mexico (United Mexican States) 8% 11/06/20	2,415	3.9
Peru (Rep of) 7.84% 12/08/20	1,212	1.9
Peru (Rep of) 6.95% 12/08/31	1,178	1.9
Uruguay (Rep of) 3.7% 26/06/37	1,167	1.9
Brazil (Fed Rep of) 10% 01/01/21	1,028	1.7
<b>Total Fixed Interest</b>	<b>22,268</b>	<b>35.9</b>
<b>Total investments</b>	<b>62,078</b>	<b>100.0</b>

## Distribution of Investments

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<b>Country</b>	<b>Equity %</b>	<b>Bonds %</b>	<b>Total %</b>
Argentina	3.1	–	3.1
Brazil	42.1	17.8	59.9
Chile	2.9	–	2.9
Mexico	16.0	12.3	28.3
Peru	–	3.9	3.9
Uruguay	–	1.9	1.9
	<b>64.1</b>	<b>35.9</b>	<b>100.0</b>

# Condensed Consolidated Statement of Comprehensive Income

	Notes	Period ended 30 December 2010 (unaudited)		Total £'000
		Revenue £'000	Capital £'000	
Investment income	3	1,031	–	1,031
Gains on financial assets at fair value through profit or loss		–	5,975	5,975
Currency gains		–	32	32
<b>Total income</b>		<b>1,031</b>	<b>6,007</b>	<b>7,038</b>
<b>Expenses</b>				
Investment management fee		(90)	(135)	(225)
Other operating expenses	4	(173)	–	(173)
<b>Profit before finance costs and taxation</b>		<b>768</b>	<b>5,872</b>	<b>6,640</b>
Finance costs		(41)	(61)	(102)
<b>Profit before taxation</b>		<b>727</b>	<b>5,811</b>	<b>6,538</b>
Tax expense		(11)	–	(11)
<b>Profit and total comprehensive income for the period</b>	5	<b>716</b>	<b>5,811</b>	<b>6,527</b>
<b>Earnings per Ordinary share (pence):</b>	5	<b>1.37</b>	<b>11.16</b>	<b>12.53</b>

The Company does not have any income or expense that is not included in profit for the period, and therefore the "Profit for the period" is also the "Total comprehensive income for the period", as defined in International Accounting Standard 1 (revised).

The total columns of this statement represent the Statement of Comprehensive Income, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Aberdeen Latin American Income Fund Limited. There are no minority interests.

# Condensed Consolidated Balance Sheet

	Notes	As at 30 December 2010 (unaudited) £'000
<b>Non-current assets</b>		
Investments held at fair value through profit or loss		62,078
<b>Current assets</b>		
Cash and cash equivalents		417
Other receivables		1,097
		1,514
<b>Current liabilities</b>		
Bank loan	8	(5,198)
Other payables		(877)
		(6,075)
<b>Net current liabilities</b>		<b>(4,561)</b>
<b>Net assets</b>		<b>57,517</b>
<b>Share capital and reserves</b>		
Ordinary share capital	9	52,653
Capital reserve		4,669
Revenue reserve		195
<b>Equity shareholders' funds</b>		<b>57,517</b>
<b>Net asset value per Ordinary share (pence):</b>	<b>10</b>	<b>110.38</b>

## Condensed Consolidated Statement of Changes in Equity

Period ended 30 December 2010 (unaudited)

	Notes	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Issue of own shares	9	52,653	–	–	52,653
Issue costs		–	(1,142)	–	(1,142)
Profit for the period		–	5,811	716	6,527
Dividends paid	6	–	–	(521)	(521)
<b>Balance at 30 December 2010</b>		<b>52,653</b>	<b>4,669</b>	<b>195</b>	<b>57,517</b>

# Condensed Consolidated Cash Flow Statement

	Period ended 30 December 2010 (unaudited) £'000
<b>Operating activities</b>	
Profit before taxation for the period	6,538
Finance costs payable	102
Effective yield adjustment	5
Gains on investments held at fair value through the profit or loss	(5,975)
Net currency gains	(32)
Increase in other receivables	(962)
Increase in other payables	344
<b>Net cash inflow from operating activities before finance costs and taxation</b>	<b>20</b>
Finance costs paid	(90)
Overseas taxation paid	(11)
<b>Net cash outflow from operating activities</b>	<b>(81)</b>
<b>Investing activities</b>	
Purchases of investments	(62,958)
Sales of investments	6,715
<b>Net cash outflow from investing activities</b>	<b>(56,243)</b>
<b>Financing activities</b>	
Issue of own shares	52,653
Issue costs	(1,142)
Loan drawn down	5,159
<b>Net cash inflow from financing activities</b>	<b>56,670</b>
<b>Net increase in cash and cash equivalents</b>	<b>346</b>
<b>Analysis of changes in cash during the period</b>	
Increase in cash above	346
Effect of foreign currency exchange rate changes	71
<b>Cash and cash equivalents at the end of the period</b>	<b>417</b>

# Notes to the Financial Statements

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## 1. Principal activity

The Company is a closed-end investment company incorporated in Jersey, with its shares having a premium listing on the London Stock Exchange.

## 2. Accounting policies

The Group's financial statements have been prepared in accordance with International Accounting Standards ("IAS") IAS 34 'Interim Financial Reporting', as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Reporting Interpretations Committee ("IFRIC") of the IASB.

### (a) Basis of preparation

The financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets that have been measured at fair value through profit or loss.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 30 December 2010.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Where guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") is consistent with the requirement of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

### (b) Group financial statements

The group financial statements consolidate the financial statements, on an acquisition accounting basis, of the Company and its subsidiary Aberdeen Latin American Income Fund LLC. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### (c) Income

Dividends receivable on equity shares (other than special dividends) are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Where the Company has elected to receive dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Special dividends are credited to capital or revenue according to their circumstances. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Condensed Consolidated Statement of Comprehensive Income.

The fixed returns on debt securities and non-equity shares are recognised using the effective interest rate method.

Interest receivable from cash and short-term deposits is accrued to the end of the financial period.

### (d) Expenses

All expenses, with the exception of interest expenses, which are recognised using the effective interest method, are accounted for on an accruals basis. Expenses are charged through the revenue column of the Condensed Consolidated Statement of Comprehensive Income except as follows:

– expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed in note 7;

- 
- expenses (including share issue costs) are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
  - the Company charges 60% of investment management fees and finance costs to capital, in accordance with the Board's expected long-term return in the form of capital gains and income respectively from the investment portfolio of the Company.

**(e) Taxation**

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Condensed Consolidated Statement of Comprehensive Income. For the purpose of the Condensed Consolidated Cash Flow Statement, cash inflows from investments are presented net of withholding taxes, when applicable.

**(f) Investments**

Purchases of investments are recognised on a trade date basis and designated upon initial recognition at fair value through the profit or loss. Sales of assets are also recognised on a trade date basis. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs.

The fair value of the financial assets is based on their quoted bid price at the reporting date, without deduction for any estimated future selling costs. Unquoted investments would be valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the capital column of the Condensed Consolidated Statement of Comprehensive Income as "Gains on financial assets at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

**(g) Cash and cash equivalents**

Cash comprises cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in values.

**(h) Other receivables and payables**

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their recoverable amount. Other payables are non interest bearing and are stated at their payable amount.

**(i) Dividends payable**

Dividends are recognised in the financial statements in the period in which they are declared.

## Notes to the Financial Statements continued

### (j) Nature and purpose of reserves

#### Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any increases and decreases in the fair value of investments held that have been recognised in the Condensed Consolidated Statement of Comprehensive Income.

#### Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Condensed Consolidated Statement of Comprehensive Income.

### (k) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are converted into Sterling at the rate of exchange ruling at the reporting date. The financial statements are presented in Sterling, which is the Company's functional and presentational currency. The Company's performance is evaluated and its liquidity is managed in Sterling. Therefore Sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in revenue or capital in the Condensed Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature.

### (l) Segmental reporting

For management purposes, the Group is organised into one main operating segment, which invests in equity securities and debt instruments. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

	Period ended 30 December 2010 £'000
<b>3. Income</b>	
<b>Income from investments</b>	
Dividends from overseas equities	315
Bond interest	716
<b>Total income</b>	<b>1,031</b>

	Period ended 30 December 2010 £'000
<b>4. Other operating expenses</b>	
Directors' fees	40
Secretarial and administration fees	33
Marketing contribution	13
Auditors' remuneration	10
Custodian charges	23
Other	54
	<b>173</b>

	Period ended 30 December 2010
	P
<b>5. Return per Ordinary share</b>	
<b>Basic</b>	
Revenue return	1.37
Capital return	11.16
<b>Total return</b>	<b>12.53</b>

The figures above are based on the following:

	£'000
Revenue return	716
Capital return	5,811
<b>Total return</b>	<b>6,527</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>52,106,185</b>

There is no dilutive effect on net revenue or net capital per share in the current period, arising from the exercise of the Subscription shares as detailed in note 9.

	Period ended 30 December 2010
	£'000
<b>6. Dividends on equity shares</b>	
Amounts recognised as distributions to equity holders in the period:	
First interim dividend for 2011 – 1.00p	521

The Company proposes to pay quarterly dividends. The first interim dividend of 1.00p for the financial period ending 31 August 2011 was paid on 31 January 2011 to shareholders on the register on 24 December 2010. The ex-dividend date was 22 December 2010.

#### 7. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Condensed Consolidated Statement of Comprehensive Income. The total costs were as follows:

	Period ended 30 December 2010
	£'000
Sales	1
Purchases	16
	<b>17</b>

## Notes to the Financial Statements continued

### 8. Bank loan

On 18 August 2010 the Company entered into an agreement for a revolving multi currency facility with Scotiabank Europe plc. USD 8,000,000 has been drawn down under the facility fixed to 23 May 2011 at an all-in rate of 1.6143%.

### 9. Called-up share capital

	2010	
	Number	£'000
<b>Issued and fully paid</b>		
Ordinary shares issued in the year	52,106,185	52,106
Subscription shares issued in the year	10,421,236	547
		<b>52,653</b>

The Company is a no par value company.

On 16th August 2010, 52,106,185 Ordinary shares were allotted and issued to investors at a price of 100p per Ordinary share. In addition, 5,210,618 Subscription shares were issued on the basis of 1 Subscription shares for every 10 Ordinary shares. Under the terms of the Aberdeen Subscription Share Agreement, the Manager was allotted and issued 5,210,618 Subscription shares which were fully paid at a price of £0.105 per Subscription share.

The Ordinary shares give shareholders the entitlement to all of the capital growth in the Company's assets and to all of the income from the Company that is resolved to be distributed.

Each Subscription share confers the right to convert such share into one Ordinary share on 31 December in any of the years 2013 to 2015 (inclusive) at a price of 120p per share.

### 10. Net asset value per share

The basic net asset value per Ordinary share and the net asset values attributable to Ordinary shareholders at the period end calculated in accordance with the Articles of Association were as follows:

Basic	As at
	30 December 2010
Attributable net assets (£'000)	57,517
Number of Ordinary shares in issue	52,106,185
Net asset value per Ordinary share (p)	110.38

### 11. Related party transactions

Martin Gilbert is a director of Aberdeen Asset Management PLC, of which Aberdeen Private Wealth Management Limited is a subsidiary. Management, secretarial and administration services are provided by Aberdeen Private Wealth Management Limited. Mr Gilbert does not draw a fee for providing his services as a director of the Company.

The management fee is payable quarterly in arrears based on an annual amount of 1% of the net asset value of the Company valued daily. During the period £225,000 of management fees were payable, the full amount being outstanding at the period end.

The company secretarial and administration fee is based on an annual amount of £100,000, increased annually in line with any increases in the UK retail prices index, payable quarterly in arrears. During the period £33,000 of fees were payable, the full amount being outstanding at the period end.

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**12. Interim Financial Report**

The financial information for the period ended 30 December 2010 has not been audited.

The auditors have reviewed the financial information for the period ended 30 December 2010 pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The report of the auditors is on page 18.

**13.** This Interim Financial Report was approved by the Board on 28 February 2011.

# Independent Review Report to Aberdeen Latin American Income Fund Limited

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## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the financial report for the period since incorporation and ended 30 December 2010 which comprises the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related explanatory notes 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Company will be prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

## Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the financial report for the period ended 30 December 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## Ernst & Young LLP

Jersey  
Channel Islands  
28 February 2011

# How to Invest in Aberdeen Latin American Income Fund Limited

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## Direct

Investors can buy and sell Ordinary shares in Aberdeen Latin American Income Fund Limited (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively Ordinary shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

## Aberdeen's Investment Plan for Children

Aberdeen Asset Managers (AAM) runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of Ordinary shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10+VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

## Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which Ordinary shares in the Company can be purchased. There are no dealing charges on the initial purchase of Ordinary shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10+VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

## Stocks and Shares ISA

An investment of up to £10,200 can be made in the tax year 2010/2011 and up to £10,680 for the tax year 2011/2012.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. Under

current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

You can choose to transfer the management of previous tax year investments to AAM for investment in the Company while retaining your ISA wrapper. The minimum lump sum transfer is £1,000, subject to a minimum per trust of £250.

## Note

Please remember that past performance is not a guide to the future. Stockmarket and currency movements may cause the value of Ordinary shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested. As with all equity investments, the value of investment companies purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread. Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

## Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Trust's website ([www.latamincome.co.uk](http://www.latamincome.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). You can also call 0500 00 00 40 for information.

## Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0500 00 40 00  
Email: [aam@lit-request.com](mailto:aam@lit-request.com)

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP  
Telephone: 0500 00 00 40

*The information above is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited, Bow Bells House, 1 Bread Street, Cheapside, London EC4M 9HH which is authorised and regulated by the Financial Services Authority*

# Corporate Information

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## Directors

Richard Prosser, Chairman  
Jeremy Arnold, Audit Committee Chairman  
Martin Adams  
George Baird  
Martin Gilbert

## Manager

Aberdeen Private Wealth Management Limited  
No.1 Seaton Place  
St Helier  
Jersey JE4 8YJ

## Investment Manager

Aberdeen Asset Managers Limited  
Bow Bells House  
1 Bread Street  
London EC4M 9HH

## Secretaries and Registered Office

Aberdeen Private Wealth Management Limited  
No.1 Seaton Place  
St Helier  
Jersey JE4 8YJ  
Registered in Jersey with number 106012

## Registrars

Computershare Investors Services  
(Jersey) Limited  
Queensway House  
Hilgrove Street  
St Helier  
Jersey JE1 1ES

## Sponsor

Cannacord Genuity Limited  
7<sup>th</sup> Floor, Cardinal Place  
80 Victoria Street  
London SW1E 5JL

## Bankers

Scotiabank Europe PLC  
33 Finsbury Square  
London  
EC2A 1BB

## Solicitors

Shepherd and Wedderburn LLP  
1 Exchange Crescent  
Conference Square  
Edinburgh EH3 8UL

## Jersey Lawyers

Appleby  
13-14 Esplanade  
St Helier  
Jersey JE1 1BD

## Auditors

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier  
Jersey JE1 1EY

## Website

[www.latamincome.co.uk](http://www.latamincome.co.uk)





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