

# Aberdeen Emerging Markets Investment Company Limited

(Formerly Advance Developing Markets Fund Limited)

A UK listed investment company, seeking consistent returns  
from a diversified portfolio of emerging market funds

**Annual Report And Financial Statements**

For the year ended 31 October 2016



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## Investment Objective

The Company's investment objective is to achieve consistent returns for Shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms (the 'Benchmark').

## Performance

For the year ended 31 October 2016

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Net Asset Value ('NAV') per share<sup>1</sup>

**36.4%**

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Share price – mid market<sup>2</sup>

**36.1%**

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MSCI Emerging Markets Net Total Return Index  
in Sterling terms

**37.7%**

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As at 31 October 2016

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NAV per share<sup>3</sup>

**618.8p**

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Ordinary share price – mid market

**545.0p**

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Net Assets

**£320.2m**

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<sup>1</sup> Measured against a closing NAV at 31 October 2015 of 453.5p

<sup>2</sup> Measured against a closing mid-market ordinary share price at 31 October 2015 of 400.4p

<sup>3</sup> See note 13 in the Notes to the Financial Statements for basis of calculation

The Annual Report can be downloaded in electronic format from [aberdeenemergingmarkets.co.uk](http://aberdeenemergingmarkets.co.uk)

# Chairman's Statement

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## Performance

The Company generated strong returns for the year ended 31 October 2016. The net asset value ('NAV') total return for the year was 36.4%, slightly behind the total return of 37.7% from the benchmark index, the MSCI Emerging Markets Net Total Return Index (in sterling terms). The share price total return for the year was 36.1%.

Most of the returns were generated during the second half of the financial year, with a recovery in commodity prices and stabilising currencies helping to generate an increased appetite for the emerging markets asset class generally. Markets also benefited from the weakness seen in sterling following the result in the UK referendum held in June. A number of countries to which the Company is exposed recorded significant gains, including Brazil, Indonesia and Russia. Conversely, Mexico, in particular, was impacted by the uncertainties in advance of the US presidential elections in November 2016, causing it to be one of the weaker markets during the year.

The Company benefitted from the outperformance of a number of its Asian holdings. It also benefited from its underweight allocations to China and South Africa and its overweight exposure to Russia. A detailed explanation of performance for the year is provided in the Investment Manager's Report.

## Discount and share buy backs

The discount of the share price to the NAV at the year end was 11.9%, which compares to 11.7% at the end of the previous year. Although this was not a significant change for the year as a whole, the discount did stand at a wider level for much of the year. In order to help address this, the Company purchased 178,050 ordinary shares during the year to hold in treasury, at a cost of £885,000. A further 330,450 shares have been bought back since the year end. The Board believes that it is in shareholders' interests for the Company to have the ability to buy back shares when considered appropriate and, accordingly, will seek authority at the Annual General Meeting to renew this authority.

## Board composition

As previously announced, Helen Green joined the Board as an independent non-executive director on 1 July 2016 and became Chairman of the Audit Committee on 1 October 2016. Helen is a Chartered Accountant and has substantial experience in the investment company sector.

Having served as a Director since 2009, Terry Mahony retired as a Director on 30 January 2017. I would like to thank Terry for his significant contribution and wise counsel during his time as a Director. As previously announced, I will not be seeking re-election at the Annual General Meeting in April and will therefore retire from the Board at that time. I would like to thank my fellow Directors for their unstinting support during the four year period of my Chairmanship.

Mark Hadsley-Chaplin, who was appointed a Director in June 2012, will succeed me as Chairman. I wish him well in his new role.

## Annual General Meeting

The Annual General Meeting will be held at the offices of Vistra Fund Services (Guernsey) Limited, 11 New Street, St Peter Port, Guernsey on 10 April 2017 at 11.00 a.m. The notice of the Annual General Meeting is contained on pages 49 to 50. Shareholders who are unable to attend are encouraged to return their completed proxy forms to the Company's registrar in order that their votes can be represented at the meeting.

## Outlook

Although the policies of the new Trump administration may well be more measured than some of the pre-election rhetoric promised, the combination of a more fiscally expansive US at the same time as monetary conditions tighten, creating the potential for further US Dollar strength, presents a challenging backdrop for emerging markets. Nonetheless, despite the recent rally, valuations of emerging market equities remain attractive relative to developed markets and there are a number of other factors that are supportive of the asset class; currencies are competitive, balance sheets are generally sound, corporate earnings have stabilised and economic growth appears to have bottomed out. With many investors under-exposed to the sector, there is the potential for further gains in the year ahead.

The portfolio is invested in funds run by talented managers with strong investment propositions, the majority of which trade at attractive discounts to their stated net asset values. The Board continues to believe that the diversification provided by the Company's approach of investing through a portfolio of such specialist funds is an attractive means for investors to benefit from the long term attractions of emerging markets.

**Richard Bonsor**  
Chairman

30 January 2017

# Investment Manager's Report

While the Company's NAV total return for the year was 36.4% in sterling terms, a significant portion of that gain was a consequence of sterling weakness in the period following the result of the UK's referendum on continued membership of the European Union. Were the Company's NAV performance for the year to be stated in US dollar terms then the result would have been a total return of 8.3%.

In terms of performance attribution, the Company's NAV lagged the Benchmark by 1.3%. Marginal underperformance of the Benchmark during a period of rapidly rising markets is consistent with the diversified portfolio held by the Company. Fund selection made a small positive contribution to relative returns, with outperformance delivered by a number of the Company's Asian holdings countered by weaker performance from its Latin American investments. In Asia, the most notable positive contributors were the Thai focused Ton Poh Fund and Fidelity China Special Situations. The portfolio's exposure to Korean preferred shares proved a negative as Weiss Korea Opportunity Fund lagged the Korean market. In Latin America, the Company's holdings in Brazil struggled to keep pace with a liquidity driven rally. Asset allocation made a small negative contribution to relative performance, with underweight positions in Brazil and Taiwan detracting, as did an overweight allocation to Turkey. A number of markets contributed positively, including the Company's underweight allocations to China and South Africa along with an overweight position in Russia. Discount movements on closed end investments were a neutral factor during the period, with a significant positive contribution from JP Morgan Global Emerging Markets Income Trust offset by a slight widening of discounts across the rest of the closed end portfolio.

## Performance attribution for the year ended 31 October 2016

|   |               |
|---|---------------|
| <b>Fund selection</b>                     | <b>0.1%</b>   |
| Asia                                      | 0.9%          |
| EMEA                                      | 0.1%          |
| Latin America                             | (0.9%)        |
| <b>Asset allocation</b>                   | <b>(0.3%)</b> |
| Asia                                      | (0.1%)        |
| EMEA                                      | (0.0%)        |
| Latin America                             | (0.1%)        |
| Cash (direct and underlying)              | (0.1%)        |
| <b>Discount narrowing</b>                 | <b>(0.0%)</b> |
| <b>Fees and expenses</b>                  | <b>(1.1%)</b> |
| <b>Net asset value under performance*</b> | <b>(1.3%)</b> |

\*The above analysis has been prepared on a total return basis.

## Market environment

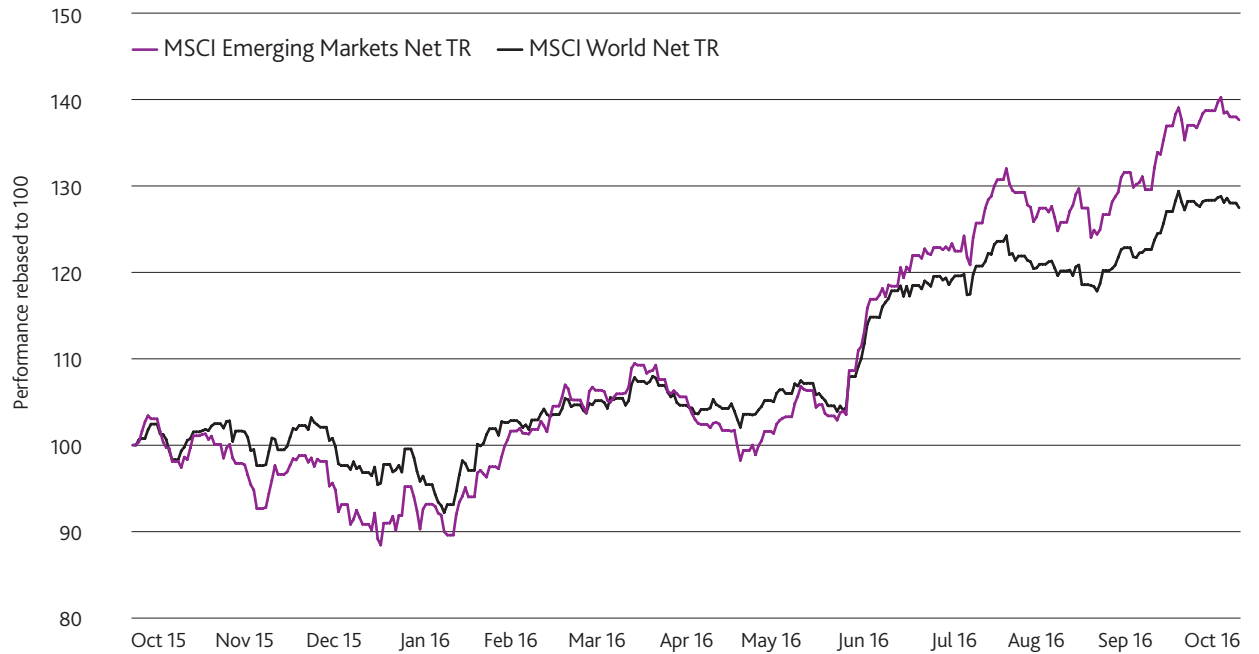
After a poor start to the period, emerging markets staged a strong recovery with the Benchmark ending the year up 37.7%, outperforming developed markets by 12.2%. It should be highlighted that the absolute return was flattered by the weakness of sterling following the surprise result in the UK's referendum on continued membership of the European Union. However, emerging markets also benefitted from a recovery in interest and the resumption of inflows from foreign portfolio investors. The improvement in sentiment was supported by a stabilisation of emerging market currencies and a recovery in commodity prices.

Over the year, Latin America was the stand-out region, driven by a resurgence in the Brazilian currency and stock market, which rose by 115.1% in sterling terms. The swing in sentiment towards Brazil was prompted by a momentous shift in the political landscape, with the impeachment of President Rousseff followed by a move towards the more pro-market policies of President Temer. Municipal elections early in October confirmed the positive direction of travel, with the pro-market Brazilian Social Democracy Party comfortably defeating the Workers' Party across all regions. In contrast, Mexico was a significant laggard with the market gaining just 20.3% as US presidential election uncertainty weighed on sentiment towards local equities and the Mexican peso.

In Asia, the Indian market posted a gain of 31.0%, with the market remaining a favourite of foreign investors despite the strong economic story under Prime Minister Modi failing to translate into stronger corporate earnings. One long term positive development was the passing of the Goods and Services Tax Bill, which replaces all indirect taxes with a single tax. Thai equities performed better, rising by 41.4% in a year which saw the passing of the national constitutional referendum paving the way for elections in late 2017. However, the year concluded on a sombre note with the death of King Bhumibol in October. South Korea delivered a 32.5% return and ended the year embroiled in a political scandal linked to President Park. Taiwan fared better, gaining 48.5%, supported by strong results from its semiconductor and technology companies. China created fewer headlines than in recent years with the MSCI China Index rising by 28.0%.

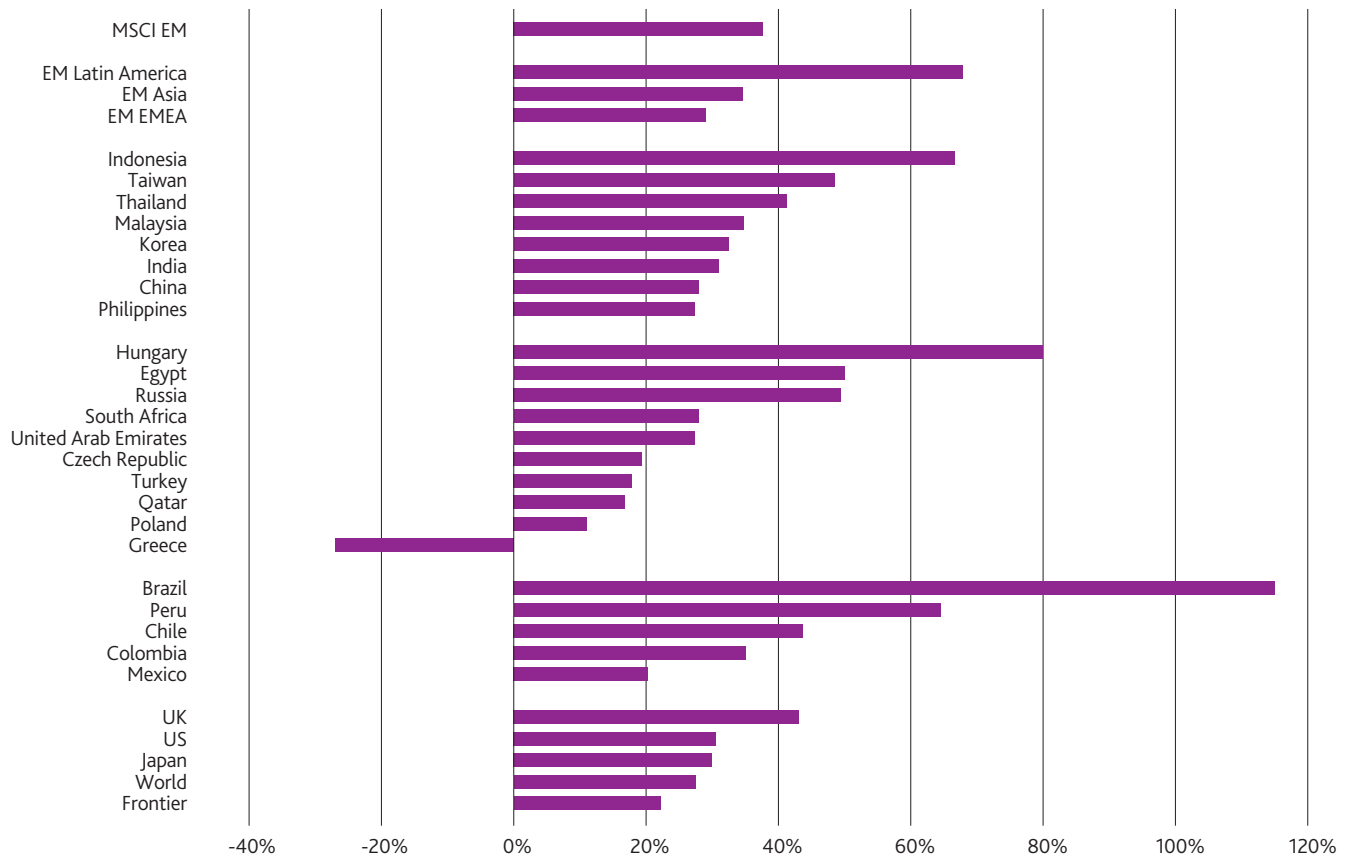
In Eastern Europe, the Russian stock market rose by 49.5%. Both the market and currency appreciated in line with a recovery in energy prices. Turkey experienced a challenging year with an attempted coup in July eliciting an authoritarian response. The market was a significant underperformer, rising by just 17.9%. South Africa was another relative laggard, posting a gain of 27.9% as political concerns contributed to weak sentiment.

Chart 1. Emerging and developed market performance during year to 31 October 2016



Source: Bloomberg. GBP returns for the period from 31 October 2015 to 31 October 2016

Chart 2. Market performances during the year to 31 October 2016



Source: Bloomberg. GBP returns for the period from 31 October 2015 to 31 October 2016

# Investment Manager's Report continued

## Portfolio

At the period end, the portfolio comprised 40 positions with the top 10 accounting for 47.8% of net assets. The balance of investments by structure is shown below.

|                               | October 2016 | October 2015 |
|-------------------------------|--------------|--------------|
| Closed ended investment funds | 60.7%        | 57.7%        |
| Open ended investment funds   | 36.4%        | 36.5%        |
| Market access products        | 2.5%         | 4.8%         |
| Cash and other net assets     | 0.4%         | 1.0%         |

The average discount on the closed end portion of the portfolio was 11.5% at the end of the period compared with 10.5% at the start of the period. The allocation to closed end funds increased from 57.7% to 60.7% as we took advantage of opportunities to add to favoured holdings trading on attractive discounts. Such additions included BlackRock Emerging Europe plc, JPMorgan Russian Securities, Baring Vostok Investments Limited and Schroder AsiaPacific Fund. In August, we exercised the Company's subscription shares in India Capital Growth Fund and, in so doing, acquired shares on a discount to net asset value of over 30%.

Several new closed end holdings were introduced to the portfolio. One such investment was Utilico Emerging Markets Limited ('Utilico') where shares were purchased in early May at a discount of 12.7%. Utilico invests in utility and infrastructure companies across the emerging world. The manager focuses on buying high quality companies operating in markets where regulated or semi-regulated businesses can operate without adverse government interference. This strategy has served investors well over the years, with the fund delivering consistent outperformance combined with an attractive dividend yield. A position was also initiated in Romanian closed end fund Fondul Proprietatea, which offers a portfolio dominated by energy and utilities in one of the best managed economies of Eastern Europe. Fondul conducts regular tender offers and pays a 6.5% dividend yield. The shares were acquired at a 30% discount.

The allocation to open ended funds was broadly unchanged at 36.4% although there was some rotation in the underlying holdings. We invested in several new open ended funds which provide exposure to markets where there are few viable closed end funds or where we view the open ended alternative to be of significantly higher quality. One such investment was Findlay Park Latin American Fund. After an extremely challenging period in Latin America, it is possible to buy certain high quality companies at material discounts to their long term average valuations and this provides a fertile environment for experienced stock pickers (like the team at Findlay Park) to generate future outperformance. We also introduced the Schroder Taiwan Fund to the portfolio. The fund is managed by a strong team whose process and philosophy have helped deliver a strong long term track record.

Additions were also made to open ended funds in Eastern Europe as a consequence of a continuing improvement in the outlook for the region. Thus, in the first half of the year we made a strategic allocation to the region (ex Russia) through an investment in Avaron Emerging Europe Fund, a best-of-breed open ended

vehicle managed by an experienced team based in Estonia. Towards the year end we added to the portfolio's Russian exposure via Verno Capital Growth Fund, our preferred manager in that market. Our conviction in the outlook for the Russian market was buoyed by time spent in-country, where the economy is recovering, the ruble is undervalued and political relations with the West continued to improve.

Cash to fund purchases of both open and closed end investments was provided by exits from a number of exchange traded funds and open ended funds based on asset allocation grounds. These included a reduction in Neuberger Berman China Equity Fund and exits from Goldman Sachs India Equity Portfolio, Ashmore Middle East Equity Fund and GBM Mexico Fund.

The Company's geographic allocation is shown on page 6. The period saw the Company's allocation to Asia fall by 4.8% as we reduced exposure to China, India and Korea while adding to Taiwan. Eastern Europe was the recipient of additional funds. Latin America's weighting increased modestly over the period as a consequence of strong performance in Brazil.

## Market outlook

As we look ahead to 2017, the implications of the UK's decision to leave the European Union and Donald Trump's victory in the US Presidential Election remain unclear. What is likely is that these, and other unforeseen events, will create occasional bouts of risk aversion that, whilst painful to experience, create attractive long-term entry points for emerging market investors.

We take comfort from the fact that despite the rally in emerging market equities over the last year, valuations remain attractive. At the time of writing, the MSCI Emerging Markets Index trades on trailing price to earnings and price to book ratios of 14.3x and 1.5x, 34.6% and 32.5% lower respectively than the same measures for developed markets. Headwinds to earnings growth including currency weakness and low commodity prices have turned to tail winds in many instances. This is being reflected in a recent moderation of downward earnings revisions, a trend which, if it continues, may soon give way to positive earnings surprises. Further evidence of a recovery in earnings in what is an inexpensive asset class to which global investors are quite under-exposed would be welcome, and could be a catalyst for further gains.

At a bottom up level, we continue to see interesting investment opportunities. Identifying talented managers with strong investment propositions is a key component of our approach and we are happy with the stable of managers with which the Company is invested. Whilst discount changes contributed little to our returns in the period, we see pockets of value within the closed end fund universe and will continue to add selectively. The combination of these factors should provide Shareholders with a diversified portfolio of emerging market investments with the potential to deliver the Company's objective over the long term.

Aberdeen Fund Managers Limited

30 January 2017

## Investments

| As at 31 October 2016<br>Company                             | Country of<br>establishment | Value<br>£'000 | % of net<br>assets |
|--|-----------------------------|----------------|--------------------|
| Schroder Asia Pacific<br>Fund PLC                            | United Kingdom              | 18,504         | 5.8%               |
| Weiss Korea<br>Opportunity Fund<br>Limited                   | Guernsey                    | 17,993         | 5.6%               |
| Fidelity China Special<br>Situations PLC                     | United Kingdom              | 16,378         | 5.1%               |
| Schroder International<br>Selection Taiwanese<br>Equity Fund | Luxembourg                  | 16,344         | 5.1%               |
| Neuberger Berman –<br>China Equity Fund                      | Ireland                     | 16,250         | 5.1%               |
| Genesis Emerging<br>Markets Fund Limited                     | Guernsey                    | 15,512         | 4.8%               |
| Edinburgh Dragon<br>Trust PLC                                | United Kingdom              | 14,994         | 4.7%               |
| Steyn Capital SA<br>Equity Fund SP                           | Cayman Islands              | 13,276         | 4.1%               |
| BlackRock Emerging<br>Europe PLC                             | United Kingdom              | 12,678         | 4.0%               |
| Ton Poh Thailand<br>Fund – Class C                           | Cayman Islands              | 11,187         | 3.5%               |
| <b>Top ten holdings</b>                                      |                             | <b>153,116</b> | <b>47.8%</b>       |
| Findlay Park Latin<br>American Fund                          | Ireland                     | 10,268         | 3.2%               |
| Lazard Emerging<br>World Fund – Retail                       | Ireland                     | 9,524          | 3.0%               |
| Korea Value Strategy<br>Fund Limited – Class B               | British Virgin<br>Islands   | 9,244          | 2.9%               |
| Avaron Emerging<br>Europe Fund                               | Estonia                     | 8,526          | 2.7%               |
| BlackRock Latin<br>American Investment<br>Trust PLC          | United Kingdom              | 8,137          | 2.5%               |
| Komodo Fund Class S  | Cayman Islands              | 7,693          | 2.4%               |
| BlackRock World<br>Mining Trust PLC                          | United Kingdom              | 7,316          | 2.3%               |
| Verno Capital Growth<br>Fund Limited                         | Cayman Islands              | 7,105          | 2.2%               |
| JPMorgan Emerging<br>Markets Inv Trust PLC                   | United Kingdom              | 6,829          | 2.1%               |
| Utilico Emerging<br>Markets Limited                          | Bermuda                     | 6,644          | 2.1%               |
| <b>Next ten holdings</b>                                     |                             | <b>81,286</b>  | <b>25.4%</b>       |
| <b>Top twenty holdings</b>                                   |                             | <b>234,402</b> | <b>73.2%</b>       |

| As at 31 October 2016<br>Company                            | Country of<br>establishment | Value<br>£'000 | % of net<br>assets |
|---|-----------------------------|----------------|--------------------|
| JPMorgan Russian<br>Securities PLC                          | United Kingdom              | 6,343          | 2.0%               |
| Korean Preferred<br>Share Certificate                       | Curacao                     | 6,281          | 2.0%               |
| The China Fund Inc  | United States               | 6,087          | 1.9%               |
| iShares MSCI Turkey   | Ireland                     | 6,018          | 1.9%               |
| The India Fund Inc  | United States               | 5,735          | 1.7%               |
| Aberdeen Asian Smaller<br>Companies Investment<br>Trust PLC | United Kingdom              | 5,137          | 1.6%               |
| Morgan Stanley India<br>Investment Fund                     | United States               | 5,090          | 1.6%               |
| Baring Vostok<br>Investments PCC<br>Limited                 | Guernsey                    | 4,704          | 1.5%               |
| Korea Fund Inc  | United States               | 4,674          | 1.4%               |
| Taiwan Fund Inc   | United States               | 4,663          | 1.4%               |
| The Mexico Fund Inc   | United States               | 4,541          | 1.4%               |
| JPMorgan Global<br>Emerging Markets<br>Income Trust PLC     | United Kingdom              | 4,463          | 1.4%               |
| India Capital Growth<br>Fund Limited                        | Guernsey                    | 4,188          | 1.3%               |
| Aberdeen Latin America<br>Equity Fund Inc                   | United States               | 4,098          | 1.3%               |
| JPMorgan Asian<br>Investment Trust PLC                      | United Kingdom              | 3,398          | 1.1%               |
| Fondul Proprietatea   | Romania                     | 2,345          | 0.7%               |
| JPMorgan Chinese<br>Investment Trust PLC                    | United Kingdom              | 2,212          | 0.7%               |
| iShares MSCI Brazil   | United States               | 2,005          | 0.6%               |
| Qatar Investment<br>Fund PLC                                | Isle of Man                 | 1,492          | 0.5%               |
| Tarpon All Equities<br>Cayman (Series B) LP                 | United States               | 837            | 0.3%               |
| Renaissance Russian<br>Infrastructure Equities<br>Limited*  | Guernsey                    | –              | –                  |
| <b>Total holdings</b>                                       |                             | <b>318,713</b> | <b>99.5%</b>       |
| Cash and<br>other net assets                                |                             | 1,502          | 0.5%               |
| <b>Total</b>  |                             | <b>320,215</b> | <b>100.0%</b>      |

\*In liquidation.

# Asset Allocation

| As at 31 October 2016<br>Country split | AEMC<br>%    | Benchmark<br>% |
|--|--------------|----------------|
| <b>Asia</b>                            |              |                |
| China                                  | 20.6%        | 26.4%          |
| India                                  | 8.3%         | 8.4%           |
| Indonesia                              | 2.9%         | 2.7%           |
| Korea                                  | 13.6%        | 14.3%          |
| Malaysia                               | 0.8%         | 2.6%           |
| Philippines                            | 0.9%         | 1.3%           |
| Taiwan                                 | 9.4%         | 12.3%          |
| Thailand                               | 4.2%         | 2.1%           |
| Singapore                              | 1.6%         | 0.0%           |
| Other                                  | 1.6%         | 0.0%           |
|  | <b>63.9%</b> | <b>70.1%</b>   |
| <b>EMEA</b>                            |              |                |
| Czech Republic                         | 0.3%         | 0.2%           |
| Egypt                                  | –            | 0.2%           |
| Greece                                 | 0.3%         | 0.3%           |
| Hungary                                | –            | 0.3%           |
| Poland                                 | 0.8%         | 1.1%           |
| Qatar                                  | 0.5%         | 0.9%           |
| Russia                                 | 7.2%         | 3.6%           |
| South Africa                           | 5.0%         | 7.1%           |
| Turkey                                 | 3.5%         | 1.2%           |
| UAE                                    | –            | 0.8%           |
| Other                                  | 3.3%         | –              |
|  | <b>20.9%</b> | <b>15.7%</b>   |

| As at 31 October 2016<br>Country split | AEMC<br>%     | Benchmark<br>% |
|--|---------------|----------------|
| <b>Latin America</b>                   |               |                |
| Brazil                                 | 5.3%          | 8.4%           |
| Chile                                  | 0.6%          | 1.2%           |
| Columbia                               | 0.3%          | 0.4%           |
| Mexico                                 | 3.8%          | 3.8%           |
| Peru                                   | 0.6%          | 0.4%           |
| Other                                  | 0.9%          | –              |
|  | <b>11.5%</b>  | <b>14.2%</b>   |
| Non-specified                          | (0.1%)        | –              |
| Cash in underlying funds               | 3.1%          | –              |
| Portfolio cash                         | 0.7%          | –              |
| <b>Total</b>                           | <b>100.0%</b> | <b>100.0%</b>  |

The above analysis has been prepared on a portfolio look-through basis.

Benchmark: MSCI Emerging Markets Net Total Return Index in Sterling terms.



# Directors' Report

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The directors of Aberdeen Emerging Markets Investment Company Limited (formerly Advance Developing Markets Fund Limited) ('AEMC', the 'Company' or the 'Fund') present their report and financial statements for the year ended 31 October 2016.

## Investment policy

### Objectives

The Company's investment objective is to achieve consistent returns for shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms (Bloomberg ticker: NDUEEGF Index) (the 'Benchmark').

### (i) Asset allocation

The Investment Manager invests in a portfolio of funds and products which give a diversified exposure to developing and emerging market economies. The Investment Manager does not seek to replicate the Benchmark's geographical distribution. The Company's geographic asset allocation is derived from the Investment Manager's analysis of prospects for regions and countries and the underlying opportunities for investment.

The Board does not believe that it should impose prescriptive limits on the Investment Manager for the geographic breakdown and distribution by type of fund as this could have a negative impact on the Company's performance and accordingly the Company does not have any prescribed investment limits in this regard.

The Investment Manager has discretion to enter into hedging mechanisms where it believes that this would protect the performance of the Company's investment portfolio in a cost effective manner. To date, the Company has never entered into any such hedging mechanisms.

### (ii) Risk diversification

Individual investments are selected for their potential to outperform as a result of one or more of the following: the performance of the region, market or asset class in which they invest; the skill of the underlying fund manager; and, in the case of closed ended funds, through the narrowing of discounts at which their shares trade to net asset value.

No holding by the Company in any other company will represent, at the time of the investment, more than 15% by value of the Company's net assets. The diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive.

### (iii) Gearing

The Company does not use gearing as a tool to enhance performance but short term borrowing is permitted to assist in the management of liquidity. However the directors reserve the right to borrow up to a maximum of 15% of the Net Asset Value of the Company at the time of drawdown.

## Business activities

The Company is a closed-ended investment company incorporated and resident in Guernsey and holds a Premium Listing on the London Stock Exchange.

## Results and dividends

The Company's total comprehensive income for the year was a gain of £85,601,000 (2015: loss of £20,745,000).

In accordance with its statement in the prospectus of the Company, the directors reserve the right but are not required to provide dividend distributions. The Company's operating revenue loss after taxation for the year amounted to £233,000 (2015: loss of £983,000). The Board does not recommend a final dividend.

## Investment report and outlook

The Chairman's Statement and Investment Manager's Report incorporate a review of the highlights during the year and the outlook.

## Key Performance Indicators ('KPIs')

The Company's success in attaining its objectives is measured by reference to the following KPIs:

- (a) The Company seeks to generate consistent relative returns ahead of those generated by its Benchmark Index.
- (b) The Company seeks to achieve a positive absolute return over the longer term through its exposure to the emerging market asset class.

## Performance

An overview of the Company's performance can be seen in the Chairman's Statement and Investment Manager's Report.

The Benchmark Index in Sterling terms increased by 37.7% over the year against a total return of 36.4% from the Company's Net Asset Value ('NAV') per ordinary share.

# Directors' Report continued

### Principal risks and uncertainties

Together with the issues discussed in the Chairman's Statement and the Investment Manager's Report, the Board considers that the main risks and uncertainties faced by the Company fall into the following categories:

#### (i) General market risks associated with the Company's investments

Changes in economic conditions, interest rates, foreign exchange rates and inflationary pressures, industry conditions, competition, political and diplomatic events, tax, environmental and other laws 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 Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the net asset value.

The Company's investments, although not made into developed economies, are not entirely sheltered from the negative impact of economic slowdowns, decreasing consumer demands and credit shortages in such developed economies which, amongst other things, affects the demand for the products and services offered by the companies in which the Company directly or indirectly invests.

A proportion of the Company's portfolio may be held in cash or cash equivalent investments from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from positive stock market movements, but may give some protection against negative stock market movements.

#### (ii) Developing markets

The funds selected by the Investment Manager invest in developing markets. Investing in developing markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. In particular there may be: (a) the risk of nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war and revolution; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) controls on foreign investment and limitations on repatriation of invested capital and a fund manager's ability to exchange local currencies for pounds Sterling; (h) a higher degree of governmental involvement and control over the economies;

(i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economies and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; (m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in developing markets.

#### (iii) Other portfolio specific risks

##### (a) Small cap stocks

The underlying investee funds selected by the Investment Manager may have significant investments in smaller to medium sized companies of a less seasoned nature whose securities are traded in an 'over-the-counter' market. These 'secondary' securities often involve significantly greater risks than the securities of larger, better-known companies, due to shorter operating histories, potentially lower credit ratings and, if they are not listed companies, a potential lack of liquidity in their securities. As a result of lower liquidity and greater share price volatility of these 'secondary' securities, there may be a disproportionate effect on the value of the investee funds and, indirectly, on the value of the Company's portfolio.

##### (b) Liquidity of the portfolio

The fact that a share is traded does not guarantee its liquidity and the Company's investments may be less liquid than other listed and publicly traded securities. The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments. Investors should not expect that the Company will necessarily be able to realise its investments, within a period which they would otherwise regard as reasonable, and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices. The Company has an overdraft facility in place which may be utilised to assist in the management of liquidity. The borrowing facility is described later in this Directors' Report.

Liquidity of the portfolio is further discussed in note 16 to the financial statements.

### (c) Foreign exchange risks

It is not the Company's present policy to engage in currency hedging. 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 down may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company.

Movements in the foreign exchange rate between Sterling and the currency applicable to a particular shareholder may have an impact upon that shareholder's returns in their own currency of account.

#### Management or mitigation of the above risks

| Risk   | Management or mitigation of risk   |
|--|--|
| General market risks associated with the Company's investments | These risks are largely a consequence of the Company's investment strategy but the Investment Manager attempts to mitigate such risks by maintaining an appropriately diversified portfolio by number of holdings, fund structure, geographic focus, investment style and market capitalisation focus. |
| Developing markets   |  |
| Other portfolio specific risks                                 | Liquidity, risk and exposure measures are produced on a monthly basis by the Investment Manager and monitored against internal limits.   |
| (a) Small cap risks  |  |
| (b) Liquidity of the portfolio                                 |  |
| (c) Foreign exchange risks                                     |  |

The investment management of the Company has been delegated to the Company's Investment Manager. The Investment Manager's investment process takes into account the material risks associated with the Company's portfolio and the markets and holdings in which the Company is invested. The Board monitors the portfolio and the performance of the Investment Manager at regular Board meetings.

### (iv) Internal risks

Poor allocation of the Company's assets to both markets and investee funds by the Investment Manager, poor governance, compliance or administration, could result in shareholders not making acceptable returns on their investment in the Company.

#### Management or mitigation of internal risks

The Board monitors the performance of the Investment Manager and the other key service providers at regular Board meetings. The Investment Manager provides reports to the Board on compliance matters and the Administrator provides reports to the Board on compliance and other administrative matters. The Board has established various committees to ensure that relevant governance matters are addressed by the Board.

The management or mitigation of internal risks is described in detail in the Corporate Governance Statement on pages 13 to 17.

The Directors are aware that there is now an additional uncertainty to those outlined above. The United Kingdom decision in the EU referendum held on 23 June 2016 to leave the EU may introduce potentially significant new uncertainties and instability in financial markets as the United Kingdom negotiates the terms of its exit from the EU.

### Borrowings

The Company is permitted to borrow, at the point of drawdown, up to 15% of its net assets.

The Company has an overdraft credit facility agreement with Northern Trust (Guernsey) Limited. The facility is an uncommitted facility and is repayable on demand. The maximum amount that may be drawn down under the facility is £10 million and any amounts drawn down have to be repaid within 90 days of making a drawing under the facility.

The Company had no borrowings at 31 October 2016 (2015: nil).

### Market information

The net asset value per ordinary share is calculated for each business day and is published through a regulatory information service.

### Ordinary shares in issue

As at 31 October 2016 the Company had 51,748,179 (2015: 51,926,229) ordinary shares in issue (excluding shares held in treasury).

### Gearing

The Company's year-end net gearing was nil % (2015: nil %). The Directors monitor the Company's gearing on a regular basis in accordance with the Company's investment policy and under advice from the Investment Manager.

### Discount management policy

The Board considers it desirable that the Company's shares do not trade at a significant discount to net asset value and believes that, in normal market conditions, the shares should trade at a price which on average represents a discount of less than 10 per cent. to the diluted net asset value. To assist the Board in taking action to deal with a material increase in the discount it seeks authority from shareholders annually to buy back shares. Shares may be repurchased when, in the opinion of the Board and taking into account factors such as market conditions and the discounts of comparable funds, the Company's discount is higher than desired and shares are available to purchase in the market. The Board is of the view that the principal purpose of share repurchases is to enhance net asset value for remaining shareholders, although it may also assist in addressing the imbalance between the supply of and demand for the Company's shares and thereby reduce the scale and volatility of the discount at which the shares trade in relation to the underlying net asset value.

## Directors' Report continued

### Purchases of own shares

During the year ended 31 October 2016, the Company purchased 178,050 (2015: nil) of its ordinary shares to be held in treasury.

The Company's discount management policy is described above.

The Company's present authority to make market purchases of its own ordinary shares will expire at the conclusion of the Annual General Meeting at which time a new authority to buy back shares will be sought. The timing of any purchase will be decided by the Board. Any shares bought back by the Company will either be cancelled, or if the directors so determine, held in treasury (and may be re-sold). Purchases of own shares will only be made at a price representing a discount to net asset value per share.

### Allotment of shares and disapplication of pre-emption rights

Resolution 9 will be proposed as an ordinary resolution to confer an authority on the Directors, in substitution for any existing authority, to allot, either as new ordinary shares or shares from treasury, up to 5% of the issued ordinary share capital of the Company as at the date of the passing of the resolution (up to a maximum of 2,570,886 ordinary shares based on the number of ordinary shares in issue as at the date of this report).

Resolution 10 will be proposed as a special resolution to provide the Directors with the authority to disapply pre-emption rights in respect of issuing shares and/or selling shares from treasury under the authority granted by resolution 9. Any future issues of ordinary shares, or sales of shares from treasury, will only be undertaken at a premium to the prevailing net asset value per share.

These authorities will expire at the conclusion of the AGM in 2018. The Directors consider that the authorities proposed to be granted by resolutions 9 and 10 are necessary to retain flexibility, although they do not at the present time have any intention of exercising such authority.

### Significant shareholders

As at 31 October 2016, the Company had been notified of, or has identified, the following interests in the ordinary shares (excluding treasury shares) of the Company.

|  | Holding    | %      |
|--|------------|--------|
| City of London Investment Management Company Limited | 14,828,101 | 28.65% |
| Lazard Asset Management LLC                          | 13,676,394 | 26.43% |
| Wells Capital Management Inc                         | 5,907,369  | 11.42% |
| 1607 Capital Partners                                | 2,708,302  | 5.23%  |
| Derbyshire County Council Pension Fund               | 3,098,250  | 5.99%  |

Since the end of the year, the Company has been notified that Lazard Asset Management LLC's holding has changed to 14,178,610 and City of London Investment Management Company Limited's holding has changed to 14,916,181 ordinary shares.

### Non-mainstream pooled investments ('NMPIs')

Financial Conduct Authority ('FCA') rules determine which investment products can be promoted to ordinary retail investors. As a result of these rules, certain investment products are classified as NMPIs and as a result face restrictions on their promotion to retail investors. The Association of Investment Companies issued guidance in October 2013 recommending that investment companies which conclude that the distribution of their shares will not be restricted as a result of the rules should make a statement to that effect.

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers ('IFAs') to ordinary retail investors in accordance with the FCA rules in relation to NMPIs and intends to continue to do so for the foreseeable future.

The Board has been advised that the Company's shares are excluded from the FCA's restrictions which apply to NMPIs because they are shares issued by a non-UK company which would qualify as an investment trust if resident in the UK.

### Continuation vote

The Company does not have a fixed life but the directors consider it desirable that shareholders have the opportunity to review the future of the Company at appropriate intervals. At the 2013 Annual General Meeting, a resolution was approved by shareholders that the Company will continue in existence in its current form until the Annual General Meeting to be held in 2018. If the resolution is not passed at the Annual General Meeting to be held in 2018 then, within 4 months of the vote to continue failing, the directors will be required to formulate and put to shareholders proposals relating to the future of the Company, having had regard to, inter alia, prevailing market conditions and the applicable regulations and legislation. If the resolution is passed, the Company will continue its operations and a similar resolution will be put to shareholders every fifth annual general meeting thereafter.

### Automatic Exchange of Information ('AEOI')

#### Foreign Account Tax Compliance Act ('FATCA')

The FATCA legislation which was introduced in the United States places obligations on foreign financial institutions such as the Company. In Guernsey, local law has been introduced that gives effect to the FATCA requirements and certain reporting obligations are placed on financial institutions as defined by this law. The Company has registered as a reporting financial institution and is subject to ongoing reporting obligations under the legislation.

#### The Common Reporting Standard ('CRS')

The CRS is the result of the drive by the G20 nations to develop a global standard for the automatic exchange of financial account information, developed by the Organisation for Economic Co-operation and Development ('OECD'). Guernsey has introduced local legislation to give effect to CRS. Guernsey Financial Institutions are required to identify, review and report on accounts maintained by them which are held by account holders resident in jurisdictions with which Guernsey has agreed to exchange information.

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## Depository and custody services

Northern Trust (Guernsey) Limited has been appointed to provide depository and custody services to the Company.

## Management

On 29 December 2015, Aberdeen Asset Management plc ('Aberdeen') acquired Advance Emerging Capital Limited ('AEC'). Prior to 1 June 2016, the management of the Company's investments was contracted to AEC. Since 1 June 2016, the management of the Company's investments has been contracted to Aberdeen Fund Managers Limited, which is a subsidiary of Aberdeen and is authorised and regulated by the FCA.

Further details on the key terms of the agreement and fees payable to the Investment Manager can be found in Note 5 to the financial statements.

## Alternative Investment Fund Managers Directive ('AIFMD')

The Company appointed Aberdeen Fund Managers Limited as its Alternative Investment Fund Manager ('AIFM') with effect from 1 June 2016. Prior to 1 June 2016, Aberdeen Emerging Capital Limited was the Company's AIFM.

An AIFM must ensure that an annual report for the Company is made available to investors for each financial year, provide the annual report to investors on request and make the annual report available to the FCA. The investment funds sourcebook of the FCA details requirements of the annual report. All the information required by those rules and relevant AIFM remuneration disclosures are or will be available on the Company's website ([aberdeenemergingmarkets.co.uk](http://aberdeenemergingmarkets.co.uk)).

## Management engagement

In accordance with the requirements of the Listing Rules of the London Stock Exchange, the Management Engagement Committee has reviewed whether to retain Aberdeen as the Investment Manager of the Company. The Management Engagement Committee has agreed that, given the long-term performance of the Company and the specialist knowledge of Aberdeen, it is in the best interests of shareholders as a whole to continue with Aberdeen's appointment as Investment Manager to the Company.

## Change of Company's name

At the Annual General Meeting held on 14 April 2016, shareholders approved the change of the Company's name to Aberdeen Emerging Markets Investment Company Limited. As explained in last year's Annual Report, this change was proposed as a consequence of the acquisition of the Company's Investment Manager by the Aberdeen Asset Management plc group ('Aberdeen') which completed in December 2015. The Board believes that the Company should benefit from Aberdeen's high profile, good reputation and the additional resources available, notably in attracting additional retail demand for the Company's shares.

## Company secretary and administrators

The Company Secretary and Administrator's name changed to Vistra Fund Services (Guernsey) Limited ('Vistra') (previously Orangefield Legis Fund Services Limited) with effect from 23 May 2016. Vistra is appointed as Administrator and Secretary to the Company.

PraxisIFM Fund Services (UK) Limited ('PraxisIFM') is appointed by Vistra to act as administration agent in the United Kingdom. Cavendish Administration Limited was acquired by the PraxisIFM Group in November 2015. The UK Administration Services contract with Cavendish Administration Limited was novated to PraxisIFM with effect from 1 July 2016.

Further details on the fees payable under these agreements can be found in Note 5 to the financial statements.

## Payment of suppliers

It is the Company's payment policy to obtain the best terms for all business and therefore there is no consistent policy as to the terms used. The Company contracts with its suppliers the terms on which business will take place and abides by such terms. A high proportion of expenses, including management and administration fees, are paid within the month when invoiced. There were no amounts owing to trade creditors at 31 October 2016.

## Settlement of share transactions

Transactions in the Company's ordinary shares are settled by the CREST share settlement system.

## Donations

The Company did not make any donations during the year under review.

## Amendments to articles of incorporation

As a consequence of the 2015 Amendment Ordinance, a special resolution will be put forward to adopt new Articles of Incorporation at the Annual General Meeting. In summary the main changes from the 2015 Amendment Ordinance which have been reflected in the proposed Articles of Incorporation are as follows:

- (a) removal of the obligation to disclose the monetary interest of directors;
- (b) removal of any five year maximum authority for the issuance of shares;
- (c) clarification of the role of the secretary if it is not set out in a separate agreement; and
- (d) updating the deemed service of notice provisions.

The proposed Articles of Incorporation are available upon request from the Company Secretary.

# Directors' Report continued

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### Going concern

The directors have adopted the going-concern basis in preparing the financial statements. The Board formally considered the Company's going concern status at the time of the publication of these financial statements and a summary of the assessment is provided below.

The directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 October 2016, the Company held £2.1m in cash and £318.7m in investments. It is estimated that approximately 64% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended 31 October 2016 were £2.8m, which represented approximately 1.1% of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 31 December 2016 were £303.8m.

The directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and, after due consideration, the directors consider that the Company is able to continue for a period of at least twelve months from the date of approval of the financial statements.

### Viability statement

The continuation of the Company is subject to the approval of shareholders every five years, with the next vote at the AGM in 2018. In accordance with principle 21 of the AIC Code of Corporate Governance published in February 2015, the directors have assessed the prospects of the Company over the period from the date of this report up until 31 October 2019 (the 'Period'). The directors believe that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy.

In their assessment of the prospects of the Company, the directors have considered each of the principal risks and uncertainties set out on pages 8 to 9 of this report. Developments in emerging markets and portfolio changes are discussed at quarterly meetings and the internal control framework of the Company is subject to formal review on at least an annual basis. The Company's portfolio consists of a range of funds and other products which provide exposure to emerging markets. Under normal market conditions, the majority of the investments held by the Company could be sold within one month. However, there are circumstances which could lead to a reduction in market liquidity and, therefore, the ability of the Company to realise its investments. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's expenses and other costs likely to be faced by the Company over the Period.

The directors do not expect there to be any material increase in the annual ongoing charges of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the Period.

Taking the above into account, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the Period.

### Auditor

KPMG Channel Islands Limited was re-appointed as auditor of the Company at the Annual General Meeting held on 14 April 2016. A resolution for the re-appointment of KPMG Channel Islands Limited as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

The AGM will be held on 10 April 2017. The notice of AGM is included in this document.

### Corporate governance

The corporate governance statement on pages 13 to 17 forms part of this report.

### Statement of directors' responsibilities

The statement of directors' responsibilities on page 19 forms part of this report.

**Helen Green**  
Director

**William Collins**  
Director

30 January 2017

# Corporate Governance

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This Corporate Governance statement forms part of the Directors' Report.

The Board of Aberdeen Emerging Markets Investment Company Limited (the 'Company') has considered the principles and recommendations of the Association of Investment Companies' ('AIC') Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') as issued in February 2015. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Guernsey Financial Services Commission revised its Code of Corporate Governance (the 'Guernsey Code') in February 2016. Companies which report under the AIC Code are deemed to meet the requirements of the Guernsey Code.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## The Board

The Board aims to provide effective leadership so the Company has the platform from which it can achieve its investment objective. Its role is to guide the overall business strategy for the benefit of shareholders and stakeholders, ensuring that their interests are its primary consideration. The intention is to create a supportive working environment which allows the Investment Manager the opportunity to manage the portfolio in accordance with the investment policy, through a framework of effective controls which enable risks to be assessed and managed.

## Composition

Mr Bonsor, Mr Hawkins and Mr Mahony were appointed as directors of the Company with effect from its commencement on 16 September 2009. Mr Hadsley-Chaplin was appointed by the Board on 26 April 2012 and Mr Collins was appointed by the Board on 14 June 2012. Mrs Helen Green was appointed by the Board with effect from 1 July 2016. All the directors hold their office in accordance with the Company's Articles of Incorporation.

During the year, the Board conducted a review of its composition and Helen Green was appointed as a director. In addition, Terence Mahony retired as a Director on 30 January 2017 and Mr Bonsor will not stand for re-election at the Company's next Annual General Meeting. Mr Hadsley-Chaplin will be appointed Chairman of the Board upon the retirement of Mr Bonsor.

The Company's policy is that the Board should have a broad range of skills and diversity. The Board performs an annual review of its performance and these factors form part of that review process.

The Board has given careful consideration to the recommendations of the AIC Code and other guidance on boardroom diversity. The Board considers these recommendations when reviewing Board composition.

**Richard Bonsor** (Chairman) (aged 68) – United Kingdom resident – was until his retirement in 2015 a director of JO Hambro Investment Management Limited, which he joined in 1995, having been previously a director of SG Warburg Securities between 1986 and 1989 and a managing director of UBS East Asia Securities between 1992 and 1995.

Mr Bonsor has no other public company directorships.

**John Hawkins** (Deputy Chairman) (aged 73) – United Kingdom resident – is a Fellow of the Institute of Chartered Accountants of England and Wales. He was formerly Executive Vice President and a member of the Corporate Office of The Bank of Bermuda Limited. He was with The Bank of Bermuda for 25 years, of which approximately 15 years were based in Hong Kong.

Mr Hawkins holds other public company directorships in Aberdeen Greater China Fund Inc and The Prospect Japan Fund Limited.

**William Collins** (aged 67) – Guernsey resident – has over 40 years' experience in banking and investment. From September 2007 he was employed by Bank J Safra Sarasin (formerly Bank Sarasin) in Guernsey as Director – Private Clients, retiring at the end of 2014. Prior to that he worked for Barings in Guernsey for over 18 years. In 1995 he was appointed a director and from 2003 until August 2007 was Managing Director of Baring Asset Management (CI) Ltd.

Mr Collins holds one other public company directorship being Crystal Amber Fund Limited.

## Corporate Governance continued

**Helen Green** (aged 54) – Guernsey resident – is a chartered accountant and has been employed by Saffery Champness, a top 20 firm of chartered accountants, since 1984. She qualified as a chartered accountant in 1987 and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Mrs Green serves as a Non-Executive Director on the boards of a number of companies in various jurisdictions.

Mrs Green holds other public company directorships in UK Mortgages Limited, Henderson Diversified Income Limited, Landore Resources Limited, John Laing Infrastructure Fund Limited, City Natural Resources High Yield Trust plc and Acorn Income Fund Limited, of which she is Chairman.

**Mark Hadsley-Chaplin** (aged 55) – United Kingdom resident – has over a decade of experience in the asset management industry. He founded RWC Partners Ltd (formerly known as MPC Investors), a London based fund management firm specialising in hedge funds, long only funds and a SICAV UCITS III Strategy, in 2000, was CEO until 2006 and Chairman until 2010. Prior to this he was Vice Chairman of UBS Securities (East Asia) Ltd, based in Singapore and responsible for the management and development of the bank's Asian equity business worldwide.

Mr Hadsley-Chaplin held one other public company directorship in Aberdeen Asian Smaller Companies Investment Trust plc during the year and retired from this board on 29 November 2016 making him an independent Director from that date.

**Terence Mahony** (Senior Independent Director) (aged 73) – Hong Kong resident – is currently Vice-Chairman of Vina Capital Group and is also a director of a number of Asian focused investment funds. Previously he was Chief Investment Officer for Indochina Capital Vietnam Holdings and prior to that a director of Investment Management Selection Limited. He was until 1999 Managing Director, Emerging Markets Equities, for the Trust Company of the West (TCW) and President of TCW Asia Limited and before this was Chief Investment Officer for Global Emerging Markets, HSBC Asset Management Limited.

Mr Mahony holds other public company directorships in Pacific Assets Trust plc and Tau Capital plc.

The Chairman and the successor Chairman, Mark Hadsley-Chaplin, are independent, in accordance with principle 1 of the AIC Code. Mr Bonsor and Mr Hadsley-Chaplin have extensive knowledge of the investment management industry and backgrounds which provide the foundation for the role of Chairman and the basis on which to make judgements as head of the Board, on behalf of shareholders.

Mr Hawkins is a director of Aberdeen Greater China Fund Inc which is also managed by Aberdeen Asset Management plc. Mr Hawkins is therefore considered to be non-independent. All other directors are entirely independent of the Investment Manager at the date of this report.

Mr Hawkins was previously appointed as the Company's Senior Independent Director but stood down from this role on 25 January 2016 and Mr Mahony was appointed as the Senior Independent Director on that date.

An insurance policy covering directors' and officers' liabilities is maintained by the Company.

At 31 October 2016 and at the date of this report the directors had the following shareholdings in the Company.

|                   | Ordinary shares<br>At 31 October<br>2016<br>and at the date<br>of this report | Ordinary shares<br>At 31 October<br>2015 |
|-------------------|---|--|
| AR Bonsor         | 12,000  | 12,000                                   |
| WN Collins        | 12,000  | 12,000                                   |
| M Hadsley-Chaplin | 20,000  | 20,000                                   |
| J Hawkins         | 10,000  | 10,000                                   |
| TF Mahony         | –   | –  |
| HF Green          | –   | –  |

A procedure has been adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. Directors are encouraged to attend industry and other seminars, including courses run by the AIC, covering issues and developments relevant to investment companies.



## Board meetings

The actual number of meetings of the Board and Committees for the year under review is given below, together with individual director's attendance at those meetings. The first number in the table is the meetings attended by the individual director and the second number is the number of meetings that director was eligible to attend.

|                   | Quarterly Board | Nominations Committee | Audit Committee | Management Engagement Committee | Remuneration Committee |
|-------------------|-----------------|-----------------------|-----------------|---------------------------------|------------------------|
| Number held       | 4               | 1                     | 3               | 1                               | 1                      |
| AR Bonsor         | 4/4             | 1/1                   | n/a             | 1/1                             | 1/1                    |
| W Collins         | 4/4             | 1/1                   | 3/3             | 1/1                             | n/a                    |
| M Hadsley-Chaplin | 4/4             | n/a                   | n/a             | 1/1                             | 1/1                    |
| J Hawkins         | 4/4             | n/a                   | 3/3             | n/a                             | 1/1                    |
| T Mahony          | 4/4             | 1/1                   | 3/3             | 1/1                             | 1/1                    |
| H Green           | 1/1             | 1/1                   | 1/1             | 1/1                             | 1/1                    |

In addition there were two Board meetings to deal with matters relating to the appointment of a senior independent director and for the approval of share buybacks.

## Re-election of directors

The services of each of the directors are provided under the terms of letters of appointment between each of them and the Company. Each director's appointment is for an initial three year period subject to renewal and termination upon three months' notice.

In accordance with the Company's Articles of Incorporation one third of the Board will put themselves forward for election or re-election on an annual basis. Richard Bonsor will not stand for re-election at the Company's Annual General Meeting ('AGM'). Helen Green, having been appointed as a non-executive director by the Board with effect from 1 July 2016, will stand for election. Helen is a chartered accountant and has substantial experience in the investment company sector.

As required by the listing rules of the London Stock Exchange, Mr Hawkins will put himself forward for re-election as he is a director of another investment company managed by Aberdeen Asset Management plc.

The Board has reviewed the contributions made by Mrs Green and Mr Hawkins and recommends their continuing appointment as directors of the Company.

## Board committees

The Company has established an Audit Committee, a Management Engagement Committee, a Nomination Committee and a Remuneration Committee. Other committees of the Board may be formed from time to time to deal with specific matters.

### Audit Committee

A report on page 18 provides details of the role, composition and meetings of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

Mrs Green is the Chairman of the Audit Committee. The Audit Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

### Management Engagement Committee

The Company has established a Management Engagement Committee, which comprises all the independent directors. The Management Engagement Committee meets formally at least on an annual basis to consider the appointment and remuneration of the Investment Manager. The Management Engagement Committee also considers the appointment and remuneration of other suppliers of services to the Company.

Mr Mahony is the Chairman of the Management Engagement Committee. The Management Engagement Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

# Corporate Governance continued

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### Nomination Committee

The Company has established a Nomination Committee, which at the year end comprised Mr Bonsor, Mr Collins, Mr Mahony and Mrs Green. At the point at which he became non-independent, as a result of the acquisition of the Investment Manager by Aberdeen Asset Management plc, Mr Hawkins stood down from the committee. The Nomination Committee has been established for the purpose of identifying and putting forward candidates for the office of director of the Company. The Nomination Committee meets as and when it is required. The Nomination Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job. The Nomination Committee considers the resources within the Committee to be sufficient in the process of appointing a chairman or a non-executive director and therefore did not engage an external search consultancy.

Mr Collins is Chairman of the Nomination Committee. The Nomination Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

### Remuneration Committee

The Company has established a Remuneration Committee, which at the year end comprised Mr Hadsley-Chaplin, Mr Bonsor, Mr Hawkins, Mr Mahony and Mrs Green. The Remuneration Committee meets at least on an annual basis to consider the remuneration of the directors. The Remuneration Committee reviews the remuneration of the directors and Chairman against the fees paid to the directors of other investment companies of a similar size and nature, as well as taking into account data published by the AIC.

Mr Hadsley-Chaplin is Chairman of the Remuneration Committee. The Remuneration Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

### Performance evaluation

A formal annual performance appraisal process is performed on the Board, the committees, the individual directors and its main service providers. The appraisal is performed internally and the Board considers that this is appropriate given the nature and size of the Company. A programme consisting of open and closed ended questions is used as the basis for the appraisals. The results are reviewed by the Chairman and are then discussed with the Board so that any necessary action can be considered and undertaken. A separate appraisal of the Chairman is carried out and the results are reviewed and reported back to the Chairman. The results of the performance appraisal carried out in the financial year ended 31 October 2016 demonstrated that the structure of the board and the diverse experience of the directors are appropriate to meet the Company's requirements.

The directors are aware that the Board should have an appropriate balance of skills, experience, independence and knowledge. The annual performance evaluation report covers this issue and the Board understands the requirement for this balance to be maintained.

### Internal controls

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness and has applied the FRC guidance on internal controls. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. Through these procedures the directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

The Board uses a risk assessment matrix to consider the main risks and controls for the Company. The matrix is reviewed and updated on a frequent basis by the Board.

The Board has contractually delegated to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company.

### Financial aspects of internal control

The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but it is fully informed of the internal control framework established by the Investment Manager, the Administrator and the UK Administration Agent to provide reasonable assurance on the effectiveness of internal financial controls.

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The key procedures include monthly production of management accounts and NAV calculations, monitoring of performance monthly and at regular Board meetings, review by directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, the Board keeps under its own direct control all material payments out of the Company other than for investment purposes. Payment of management fees is authorised only by directors after they have studied the financial data upon which those fees are based.

The Statement of Directors' Responsibilities in respect of the financial statements is on page 19 and a statement of going concern is on page 12. The Independent Auditor's Report is on pages 23 and 24.

#### Other aspects of internal control

The Board holds at least four regular meetings each year, plus ad hoc meetings and committee meetings as required. Between these meetings there is regular contact with the Investment Manager, the Administrator, the UK Administration Agent and the external Auditor.

The Company Secretary reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary.

Directors receive and consider monthly reports from the UK Administration Agent, giving full details of all holdings in the portfolio and of all transactions and of all aspects of the financial position of the Company. The Administrator and UK Administration Agent report separately in writing to the Board concerning risks and internal control matters within the scope of their services, including internal financial control procedures and secretarial matters. Additional ad hoc reports are received as required and directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the Investment Manager, Administrator, UK Administration Agent and the external Auditor enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis through the year.

There are no significant findings to report from the review of internal controls during the year.

#### Shareholder relations

The Company invites all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Board welcomes feedback from the Company's shareholders. The Board receives shareholder feedback directly and via the Company's Investment Manager and Broker through their programme of meetings with shareholders.

All directors are available to shareholders if they have concerns over issues they feel have not been dealt with through the normal mode of communication with the Chairman.

#### Exercise of voting powers

The Company is committed to exercise diligently its rights as a shareholder and usually votes on relevant decisions of its holdings. In making a voting decision all relevant factors are taken into account, including the performance of the investee company, its corporate governance where this bears meaningfully upon the responsiveness of its management to shareholders' needs and the readiness of its management to address any areas where improvements might be expected to strengthen its share price or otherwise create real benefit for shareholders. Further information regarding the activities of the Company in pursuing these issues may be found in the Investment Manager's report. The Investment Manager has published on its website its statement of compliance with the principles of best practice of the Stewardship Code issued by the Financial Reporting Council in July 2010 and updated in September 2012.

#### Social and environmental policy

The Company is a closed-ended investment company and therefore has no staff, premises, manufacturing or other operations. The Investment Manager takes into account the environmental, social and governance policies of potential investee funds as part of its investment process and has implemented an Environment, Social and Corporate Governance ('ESG') policy.

#### UK Stewardship Code and proxy voting as an institutional shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on its website.

# Report of the Audit Committee

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### Role, composition and meetings

The Company has established an Audit Committee, which comprises Mrs Green, Mr Collins, Mr Hawkins and Mr Mahony. As a minimum the Audit Committee meets on a bi-annual basis and its main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim financial statements and audit reports, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditor and monitoring and reviewing annually the auditor's independence, objectivity, effectiveness and qualifications, and where relevant, compliance with corporate governance changes. The Committee is responsible for the development and implementation of a policy on the supply of any non-audit services provided by the auditor. The Board has also requested that the Audit Committee advise them on whether it believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Mrs Green is the Chairman of the Audit Committee. Mr Hawkins stepped down as Chairman of the Audit Committee in January 2016 and Mr Collins was Chairman of the Audit Committee until the appointment of Mrs Green on 1 October 2016. All members of the Audit Committee have recent and relevant financial experience.

In the year ended 31 October 2016 there were three meetings of the Audit Committee. Mr Hawkins, Mr Collins and Mr Mahony attended all of these meetings. Mrs Green attended the one meeting she was eligible to attend. The Company's external auditor also attends the Audit Committee meetings at the Audit Committee's request and reports on its work procedures and its findings in relation to the Company's statutory audit. The Company's external auditor attended three of the Audit Committee meetings during the year ended 31 October 2016.

### Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 October 2016.

#### Valuation of investments

The Company, as an investment company, invests virtually all of its assets into funds invested in developing and emerging markets. As at 31 October 2016, investments represented approximately 99.5% of its total assets. The valuation of investments is therefore the most significant factor in relation to the accuracy of the financial statements. The portfolio consists of investments in either quoted investment companies or open ended funds with observable independent values. The estimates, assumptions and judgements required to be made by management in determining the valuation of investments and method of accounting are described in more detail in notes 3(a) and 17 to the financial statements.

The Audit Committee reviewed the portfolio valuation as at 31 October 2016. The Audit Committee obtained confirmation from the Administrator, UK Administration Agent and the

Investment Manager that the Company's accounting policies on valuation of investments had been followed. The Audit Committee made enquiries of the Administrator, UK Administration Agent and the Investment Manager with regards to the procedures that are in place to ensure that the portfolio is valued correctly.

The Audit Committee agreed the approach to the audit of the valuation of investments with the external auditor prior to the commencement of the audit. The results of the audit in this area were reported by the external auditor and there were no significant disagreements between management and the external auditor's conclusions.

### Effectiveness of external audit

The Audit Committee reviews the effectiveness of the Company's external audit. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. The factors considered by the Audit Committee included the external auditor's resources, the external auditor's independence, the performance of the team employed to conduct the audit, audit planning, communication and scope of the audit.

Following the review, the Audit Committee agreed that the re-appointment of the auditor should be recommended to the Board and the shareholders of the Company.

### Audit tenure

KPMG Channel Islands Limited has been appointed as the Company's external auditor since the Company's launch in 2009. Following professional guidelines, the audit partner rotates after five years. The audit partner is in his first year of appointment. KPMG Channel Islands Limited's appointment will continue to be reviewed annually taking into account all relevant guidelines and best practice.

### Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. In the year ended 31 October 2016 there were no non-audit services provided, other than reporting on the Company's half year financial statements. The fee payable to the Auditor for this additional service amounted to £14,000 (2015: £13,750).

**Helen Green**  
Audit Committee Chairman

30 January 2017

# Statement of Directors' Responsibilities

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of the Company's financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibility statement in respect of the Annual Report and Financial Statements

The directors confirm that to the best of their knowledge and belief, the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy. During the course of this assessment, the directors have received input from the Audit Committee, the Investment Manager, the Company Secretary and the UK Administration Agent.

### Directors' responsibility statement under the disclosure guidance and transparency rules 4.1.12

The directors confirm that to the best of their knowledge and belief:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) the management report (comprising the Chairman's Statement, the Investment Manager's Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

**Helen Green**  
Director

**William Collins**  
Director

30 January 2017

# Directors' Remuneration Report

This Directors' Remuneration Report has been prepared on a voluntary basis in accordance with UK regulations governing the disclosure and approval of Directors' remuneration, and comprises three parts:

1. a Remuneration Policy which the Board has decided will be subject to a binding shareholder vote every three years (or sooner if varied during this interval). The first such vote will take place at the Annual General Meeting on 10 April 2017;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

A Remuneration Committee has been formed which comprises Mr Hadsley-Chaplin (Chairman), Mr Bonsor, Mrs Green, Mr Hawkins and Mr Mahony.

## Remuneration policy

The Board's policy is that the remuneration of non-executive directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive directors' fees are determined within the limits set out in the Company's Articles of Incorporation and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. It is intended that this policy will continue for the three year period to 31 October 2019.

The Company's Articles of Incorporation currently limit the maximum amount payable in aggregate to the directors to £200,000 per annum and this may only be changed by the passing of an ordinary resolution of the Company.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 31 October 2016.

## Directors' service contracts

The directors do not have service contracts. The directors have appointment letters subject to termination upon three months' notice. The directors are subject to re-election by shareholders at a maximum interval of three years.

## Voting at Annual General Meeting

As stated above, a resolution to approve the Directors' Remuneration Policy will be proposed at the Annual General Meeting.

## Implementation report

### Directors' emoluments for the year

Fees payable with effect from 1 July 2016 have been at a rate of £33,000 per annum for the Chairman, £28,000 for the Audit Chair and £25,000 per annum for the other directors. Fees payable between 1 November 2015 and 30 June 2016 were at a rate of £27,500 per annum for the Chairman, £22,500 for the Audit Chair, £25,000 per annum for the Deputy Chairman and £22,500 per annum for the other directors.

During the year ended 31 October 2016, there were no additional fees paid to the directors. During the year ended 31 October 2015, the following additional fees were paid to the directors:

(i) A fee of £5,000 was paid in November 2014 to each director for additional work performed in relation to the tender offers during the year ended 31 October 2014 and changes to the Company's arrangements as a consequence of the Alternative Investment Fund Managers Directive and FATCA registration.

(ii) A fee of £7,500 was paid to John Hawkins and £5,000 was paid to each of the other directors for work performed on matters associated with the change of ownership of the investment manager.

The following emoluments in the form of fees were payable in the year ended 31 October 2016 to the directors who served during the year:

|                                     | Fees<br>2016<br>£'000 | Fees<br>2015<br>£'000 |
|-------------------------------------|-----------------------|-----------------------|
| Richard Bonsor (Chairman)           | 29.4                  | 37.5                  |
| John Hawkins                        | 25.0                  | 37.5                  |
| Mark Hadsley-Chaplin                | 23.3                  | 32.5                  |
| William Collins                     | 23.3                  | 32.5                  |
| Terence Mahony                      | 23.3                  | 32.5                  |
| Helen Green (appointed 1 July 2016) | 8.7                   | –                     |
|                                     | <b>133.0</b>          | <b>172.5</b>          |

### Statement of voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 14 April 2016, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 October 2015. 94.3% of proxy votes were in favour of the resolution and 5.7% were against.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 October 2016 will be proposed at the Annual General Meeting.

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### **Spend on pay**

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown above.

### **Annual statement**

The Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the year ended 31 October 2016:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration; and
- the context in which the changes occurred and decisions have been taken.

**Mark Hadsley-Chaplin**

Remuneration Committee Chairman

30 January 2017

# Depository Report

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Northern Trust (Guernsey) Limited (the 'Depository') has been appointed to provide depository services to Aberdeen Emerging Markets Investment Company Limited (the 'Company') with effect from 1 August 2014 in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (the 'AIFM Directive').

We have enquired into the conduct of Aberdeen Emerging Capital Limited and, with effect from 1 June 2016, Aberdeen Fund Managers Limited (the 'AIFM'), for the year ended 31 October 2016, in our capacity as Depository to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depository are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 collectively (the 'AIFMD legislation').

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the constitutional documents, the scheme particulars and the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we as the Depository will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depository and its affiliates are or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depository will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depository and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

## Basis of Depository review

The Depository conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Company, the assets in which a Company invests and the processes used, or experts required, in order to value such assets.

## Review

In our view, the Company has been managed during the period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

For and on behalf of

Northern Trust (Guernsey) Limited

30 January 2017



# Independent Auditor's Report

## Independent auditor's report to the members of Aberdeen Emerging Markets Investment Company Limited (formerly Advance Developing Markets Fund Limited)

### Opinions and conclusions arising from our audit

#### Opinion on the financial statements

We have audited the financial statements of Aberdeen Emerging Markets Investment Company Limited (formerly Advance Developing Markets Fund Limited) (the 'Company') for the year ended 31 October 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS'). In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2016 and of its total profit and comprehensive income for the year then ended;
- have been properly prepared in accordance with IFRS; and
- comply with the Companies (Guernsey) Law, 2008.

#### Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

#### Valuation of investments (£318,713,000)

Refer to page 18 of the Report of the Audit Committee, notes 2(g), 3(a) and 17.

- **The risk** – As at 31 October 2016 the Company had invested 99.5% of its net assets in closed and open-ended investment funds (together, 'investments'). As described in the Report of the Audit Committee, on page 18, the valuation of the Company's investments, given that it represents the majority of the Company's net assets, is a significant area of our audit. Of the Company's investments, the holdings in quoted or listed investments represent 97.8% and those which are subject to estimation risk because they are unquoted or in an inactive market represent 2.2%.

- **Our response** – Our audit procedures with respect to the Company's investments that were quoted or listed included, but were not limited to, use of our own valuation specialist to independently price these investments to a third party source and assess the trading volumes behind such prices.

Our audit procedures with respect to the Company's investments in unquoted investment funds and those in an inactive market included, but were not limited to:

- testing the design and implementation of the Investment Manager's oversight controls of the underlying funds' administrators;
- confirming net asset value per share directly with the underlying funds' administrators; and
- obtaining the latest audited financial statements of the unquoted underlying funds in order to consider: the nature of the investments held by the underlying funds; the financial reporting standards applied in the preparation of the underlying funds' financial statements; any modifications to audit reports; and any other disclosures that may be relevant to the valuation of the Company's investments.

We also considered the Company's disclosures (see note 2(g)) in relation to the use of estimates and judgements regarding the valuation of investments and the Company's investment valuation policies adopted in note 3(a) and fair value disclosures in note 17 for compliance with IFRS.

#### Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as 'material' if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgement in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as 'materiality for the financial statements as a whole'.

The materiality for the financial statements as a whole was set at £8,927,000. This has been calculated using a benchmark of the Company's net asset value (of which it represents approximately 3%) which we believe is the most appropriate benchmark as net asset value is considered to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £446,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above. The audit was performed at the offices of the Administrator.

# Independent Auditor's Report continued

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expenses as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 12, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Company continuing in operation until 31 October 2019; or
- the disclosures in note 2(b) of the financial statements concerning the use of the going concern basis of accounting.

### Matters on which we are required to report by exception

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK&I)') we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy; or

- the Report of the audit committee does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

- the Company has not kept proper accounting records;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 13 to 17 relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

## Scope of report and responsibilities

### The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and ISAs (UK&I). Those standards require us to comply with the UK Ethical Standards for Auditors.

**Barry T. Ryan**

For and on behalf of

KPMG Channel Islands Limited  
Chartered Accountants and Recognised Auditors  
Glategny Court  
Glategny Esplanade  
St Peter Port  
Guernsey  
GY1 1WR

30 January 2017

## Statement of Comprehensive Income

|   | Note | Year ended 31 October 2016 |                  |                | Year ended 31 October 2015 |                  |                 |
|---|------|----------------------------|------------------|----------------|----------------------------|------------------|-----------------|
|   |      | Revenue<br>£'000           | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000           | Capital<br>£'000 | Total<br>£'000  |
| Gains/(losses) on investments designated as fair value through profit or loss | 12   | –                          | 85,180           | 85,180         | –                          | (19,622)         | (19,622)        |
| Gains/(losses) on currency movements  |      | –                          | 654              | 654            | –                          | (140)            | (140)           |
| <b>Net investment gains/(losses)</b>  |      | <b>–</b>                   | <b>85,834</b>    | <b>85,834</b>  | <b>–</b>                   | <b>(19,762)</b>  | <b>(19,762)</b> |
| Investment income   | 4    | 2,792                      | –                | 2,792          | 2,243                      | –                | 2,243           |
|   |      | <b>2,792</b>               | <b>85,834</b>    | <b>88,626</b>  | <b>2,243</b>               | <b>(19,762)</b>  | <b>(17,519)</b> |
| Investment management fees  | 5    | (2,107)                    | –                | (2,107)        | (2,252)                    | –                | (2,252)         |
| Other expenses  | 5    | (736)                      | –                | (736)          | (745)                      | –                | (745)           |
| <b>Operating gains/(loss) before finance costs and taxation</b>               |      | <b>(51)</b>                | <b>85,834</b>    | <b>85,783</b>  | <b>(754)</b>               | <b>(19,762)</b>  | <b>(20,516)</b> |
| Finance costs   | 8    | (46)                       | –                | (46)           | (41)                       | –                | (41)            |
| <b>Operating gains/(loss) before taxation</b>                                 |      | <b>(97)</b>                | <b>85,834</b>    | <b>85,737</b>  | <b>(795)</b>               | <b>(19,762)</b>  | <b>(20,557)</b> |
| Withholding tax expense   |      | (136)                      | –                | (136)          | (188)                      | –                | (188)           |
| <b>Total profit/(loss) and comprehensive income/(loss) for the year</b>       |      | <b>(233)</b>               | <b>85,834</b>    | <b>85,601</b>  | <b>(983)</b>               | <b>(19,762)</b>  | <b>(20,745)</b> |
| <b>Earnings per ordinary share</b>  | 9    |                            |                  |                |                            |                  |                 |
| – Basic and diluted   |      | <b>(0.45p)</b>             | <b>165.37p</b>   | <b>164.92p</b> | <b>(1.89p)</b>             | <b>(38.06p)</b>  | <b>(39.95p)</b> |

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared under IFRS. The revenue and capital columns, including the revenue and capital earnings per share data, are supplementary information prepared under guidance published by the Association of Investment Companies.

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

The notes on pages 29 to 44 form part of these financial statements.

## Statement of Financial Position

|   | Note | As at<br>31 October<br>2016<br>£'000 | As at<br>31 October<br>2015<br>£'000 |
|---|------|--------------------------------------|--------------------------------------|
| <b>Non-current assets</b>   |      |                                      |                                      |
| Investments designated as fair value through profit or loss                   | 10   | 318,713                              | 233,110                              |
| <b>Current assets</b>   |      |                                      |                                      |
| Cash and cash equivalents   |      | 2,110                                | 1,996                                |
| Sales for future settlement   |      | 1,526                                | 573                                  |
| Other receivables   |      | 272                                  | 116                                  |
|   |      | <b>3,908</b>                         | <b>2,685</b>                         |
| <b>Total assets</b>   |      | <b>322,621</b>                       | <b>235,795</b>                       |
| <b>Current liabilities</b>  |      |                                      |                                      |
| Purchases for future settlement   |      | 2,027                                | 53                                   |
| Other payables  |      | 379                                  | 243                                  |
| <b>Total liabilities</b>  |      | <b>2,406</b>                         | <b>296</b>                           |
| <b>Net assets</b>   |      | <b>320,215</b>                       | <b>235,499</b>                       |
| <b>Equity</b>   |      |                                      |                                      |
| Share capital   | 11   | 186,840                              | 187,725                              |
| Capital reserve   | 12   | 140,079                              | 54,245                               |
| Revenue reserve   |      | (6,704)                              | (6,471)                              |
| <b>Total equity</b>   |      | <b>320,215</b>                       | <b>235,499</b>                       |
| <b>Net assets per ordinary share</b>  | 13   | <b>618.79p</b>                       | <b>453.53p</b>                       |
| <b>Number of ordinary shares in issue (excluding shares held in treasury)</b> |      | <b>51,748,179</b>                    | <b>51,926,229</b>                    |

Approved by the Board of Directors on 30 January 2017 and signed on their behalf by:

**Helen Green**  
Director

**William Collins**  
Director

The notes on pages 29 to 44 form part of these financial statements.

## Statement of Changes in Equity

|   | Share capital<br>account<br>£'000 | Capital<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|-----------------------------------|-----------------------------|-----------------------------|----------------|
| <b>For the year ended 31 October 2016</b> |                                   |                             |                             |                |
| Balance at 1 November 2015                | 187,725                           | 54,245                      | (6,471)                     | 235,499        |
| Profit/(loss) for the year                | –                                 | 85,834                      | (233)                       | 85,601         |
| Share buybacks                            | (885)                             | –                           | –                           | (885)          |
| <b>Balance at 31 October 2016</b>         | <b>186,840</b>                    | <b>140,079</b>              | <b>(6,704)</b>              | <b>320,215</b> |

|   | Share capital<br>account<br>£'000 | Capital<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|-----------------------------------|-----------------------------|-----------------------------|----------------|
| <b>For the year ended 31 October 2015</b> |                                   |                             |                             |                |
| Balance at 1 November 2014                | 187,725                           | 74,007                      | (5,488)                     | 256,244        |
| Loss for the year                         | –                                 | (19,762)                    | (983)                       | (20,745)       |
| <b>Balance at 31 October 2015</b>         | <b>187,725</b>                    | <b>54,245</b>               | <b>(6,471)</b>              | <b>235,499</b> |

The notes on pages 29 to 44 form part of these financial statements.

## Statement of Cash Flow

|   | Year ended<br>31 October<br>2016<br>£'000 | Year ended<br>31 October<br>2015<br>£'000 |
|---|---|---|
|   | Note                                      |   |
| <b>Cash flows from operating activities</b>                 |   |   |
| Cash inflow from investment income and bank interest        | 2,642                                     | 2,238                                     |
| Cash outflow from management expenses                       | (2,685)                                   | (3,027)                                   |
| Cash inflow from disposal of investments                    | 90,430                                    | 98,887                                    |
| Cash outflow from purchase of investments                   | (89,591)                                  | (97,754)                                  |
| Cash outflow from taxation                                  | (136)                                     | (188)                                     |
| <b>Net cash flow from operating activities</b>              | 14  | 660                                       |
| <b>Cash flows from financing activities</b>                 |   |   |
| Borrowing commitment fee and interest charges               | (46)                                      | (41)                                      |
| Share buy backs   | (885)                                     | -   |
| <b>Net cash flow used in financing activities</b>           |   | (931)                                     |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |   | (271)                                     |
| Effect of foreign exchange                                  |   | 385                                       |
| Cash and cash equivalents at 1 November 2015                |   | 1,996                                     |
| <b>Cash and cash equivalents at 31 October 2016</b>         |   | 2,110                                     |

The notes on pages 29 to 44 form part of these financial statements.

# Notes to the Financial Statements

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## 1 Reporting entity

Aberdeen Emerging Markets Investment Company Limited (formerly Advance Developing Markets Fund Limited) (the 'Company') is a closed-ended investment company, registered in Guernsey on 16 September 2009. The Company's registered office is 11 New Street, St Peter Port, Guernsey GY1 2PF. The Company's Shares have a premium listing on the London Stock Exchange and commenced trading on 10 November 2009. The Company changed its name to Aberdeen Emerging Markets Investment Company Limited on 14 April 2016. The financial statements of the Company are presented for the year ended 31 October 2016.

The Company invests in a portfolio of funds and products which give diversified exposure to developing and emerging markets economies with the objective of achieving consistent returns for Shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms.

### Investment Manager

Since 1 June 2016, Aberdeen Fund Managers Limited ('AFML') has been appointed as the Company's investment manager. Prior to that date, the investment activities of the Company were managed by Aberdeen Emerging Capital Limited (formerly Advance Emerging Capital Limited) ('AECL').

### Non-mainstream pooled investments ('NMPs')

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to NMPs and intends to continue to do so for the foreseeable future.

## 2 Basis of preparation

### (a) Statement of compliance

The financial statements which give a true and fair view have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are in compliance with the Companies (Guernsey) Law, 2008. There were no changes in the accounting policies of the Company in the year to 31 October 2016.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('AIC') in November 2014 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The total column of the Statement of Comprehensive Income is the profit and loss account of the Company. The 'Capital' and 'Revenue' columns provide supplementary information.

The financial statements were approved and authorised for issue by the Board on 30 January 2017.

This report will be sent to shareholders and copies will be made available to the public at the Company's registered office of the Company. It will also be made available on the Company's website: [aberdeenemergingmarkets.co.uk](http://aberdeenemergingmarkets.co.uk)

### (b) Going concern

The directors have adopted the going-concern basis in preparing the financial statements. The Board formally considered the Company's going concern status at the time of the publication of these financial statements and a summary of the assessment is provided below.

The directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 October 2016, the Company held £2.1m in cash and £318.7m in investments. It is estimated that approximately 64% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended 31 October 2016 were £2.8m, which represented approximately 1.1% of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 31 December 2016 were £303.8m.

The directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and, after due consideration, the directors consider that the Company is able to continue for a period of at least twelve months from the date of approval of the financial statements.

# Notes to the Financial Statements continued

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## 2 Basis of preparation (continued)

### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

### (d) Functional and presentation currency

The Company's investments are denominated in multiple currencies. However, the Company's shares are issued in Sterling and the majority of its investors are UK based. Therefore the financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented in Sterling has been rounded to the nearest thousand pounds.

### (e) Capital reserve

Profits achieved by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

### (f) Revenue reserve

The balance of all items allocated to the revenue column of the Statement of Comprehensive Income in each year is transferred to the Company's revenue reserve.

### (g) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below.

#### Classification and valuation of investments

Investments are designated as fair value through profit or loss on initial recognition and are subsequently measured at fair value. The valuation of such investments requires estimates and assumptions made by the management of the Company depending on the nature of the investments as described in notes 3 (a) and 17 and fair value may not represent actual realisable value for those investments.

#### Allocation of investments to fair value hierarchy

IFRS 13 requires the Company to measure fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under IFRS 13 are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.



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### 3 Significant accounting policies

#### (a) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as fair value through profit or loss on initial recognition. These investments are recognised on the trade date of their acquisition at which the Company becomes a party to the contractual provisions of the instrument. At this time, the best evidence of the fair value of the financial assets is the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial assets are charged to the Statement of Comprehensive Income as a capital item. Subsequent to initial recognition, investments designated as fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income and determined by reference to:

- (i) investments quoted or dealt on recognised stock exchanges in an active market are valued by reference to their market bid prices;
- (ii) investments other than those in i) above which are dealt on a trading facility in an active market are valued by reference to broker bid price quotations, if available, for those investments;
- (iii) investments in underlying funds, which are not quoted or dealt on a recognised stock exchange or other trading facility or in an active market, are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates and may not be produced in a timely manner. If such information is not provided, or is insufficiently timely, the Investment Manager uses appropriate valuation techniques to estimate the value of investments. In determining fair value of such investments, the Investment Manager takes into consideration the relevant issues, which may include the impact of suspension, redemptions, liquidation proceedings and other significant factors. Any such valuations are assessed and approved by the directors. The estimates may differ from actual realisable values;
- (iv) investments which are in liquidation are valued at the estimate of their remaining realisable value;
- (v) any other investments are valued at the directors' best estimate of fair value; and
- (vi) transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset. Gains or losses are recognised in the capital column of the Statement of Comprehensive Income. The Company uses the weighted average cost method to determine realised gains and losses on disposal of investments.

#### (b) Foreign currency

Transactions in foreign currencies are translated into Sterling at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Sterling at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are retranslated into Sterling at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Sterling using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss and, depending on the nature of the gain or loss, are allocated to the revenue or capital column of the Statement of Comprehensive Income. Foreign currency differences on retranslation of financial instruments designated as fair value through profit or loss are shown in the 'Gains/(losses) on currency movements' line.

#### (c) Income from investments

Dividend income is recognised when the right to receive it is established and is reflected in the Statement of Comprehensive Income as Investment Income in the revenue column. For quoted equity securities this is usually on the basis of ex-dividend dates. For unquoted investments this is usually on the entitlement date confirmed by the relevant holding. Income from bonds is accounted for using the effective interest method.

Special dividends and distributions described as capital distributions are assessed on their individual merits and may be credited to the capital reserve if considered to be closely linked to reconstructions of the investee company or other capital transactions. Bank interest receivable is accounted for on a time apportionment basis and is based on the prevailing variable interest rates for the Company's bank accounts.

#### (d) Treasury shares

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity shareholders' funds through the Company's reserves. When such shares are subsequently sold or re-issued to the market any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity shareholders' funds through the share capital account. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 13.

# Notes to the Financial Statements continued

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### 3 Significant accounting policies (continued)

#### (e) Cash and cash equivalents

Cash comprises cash at hand and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### (f) Investment management fees and finance costs

Investment management fees and finance costs are charged to the Statement of Comprehensive Income as a revenue item and are accrued monthly in arrears. Finance costs include interest payable and direct loan costs. Performance-related fees, if any, are payable directly by reference to the capital performance of the Company and are therefore charged to the Statement of Comprehensive Income as a capital item.

#### (g) Financial liabilities

Financial liabilities (including bank loans) are classified according to the substance of the contractual arrangements entered into. Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Comprehensive Income.

#### (h) Taxation

The Company applied for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £1,200 (2015: £1,200).

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin. The tax charges shown in the Statement of Comprehensive Income relate to overseas withholding tax on dividend income.

#### (i) Operating segments

IFRS 8, 'Operating segments' requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The Board has considered the requirements of the standard and is of the view that the Company is engaged in a single segment of business, which is investing in a portfolio of funds and products which give exposure to developing and emerging market economies. The key measure of performance used by the Board is the Net Asset Value of the Company (which is calculated under IFRS). Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

Further information on the Company's operating segment is provided in note 18.

#### (j) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are only presented on a net basis when permitted under IFRS.

#### (k) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company holds shares, units or partnership interests in the funds or investment products held in the Company's portfolio. The Company does not consider its investments in listed funds to be structured entities but does consider its investments in unlisted funds to be investments in structured entities because the voting rights in such entities are limited to administrative tasks and are not the dominant factor in deciding who controls those entities.

Changes in fair value of investments, including structured entities, are included in the Statement of Comprehensive Income.

### 3 Significant accounting policies (continued)

#### (l) New standards and interpretations effective in the current financial year

In the opinion of the directors, there are no new standards that became effective during the year that had a material impact on the financial statements.

At the date of approval of these financial statements, the following standard, which has not been applied in these financial statements, was in issue but not yet effective:

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The Board is currently considering the impact of the above standard. Based on the initial assessment, the standard is not expected to have a material impact on the Company's financial statements.

### 4 Investment income

|                                | 2016<br>£'000 | 2015<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>Income from investments</b> |               |               |
| Dividend income                | 2,792         | 2,243         |

### 5 Investment management fees and other expenses

|                                     | 2016             |                  |                | 2015             |                  |                |
|-------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                     | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| <b>Investment management fees</b>   | <b>2,107</b>     | <b>–</b>         | <b>2,107</b>   | <b>2,252</b>     | <b>–</b>         | <b>2,252</b>   |
| Administration fees                 | 176              | –                | 176            | 175              | –                | 175            |
| Depositary and custody service fees | 112              | –                | 112            | 100              | –                | 100            |
| Registration fees                   | 29               | –                | 29             | 18               | –                | 18             |
| Directors' fees                     | 133              | –                | 133            | 173              | –                | 173            |
| Auditor's fees                      | 53               | –                | 53             | 52               | –                | 52             |
| Marketing fees                      | 61               | –                | 61             | 31               | –                | 31             |
| Broker fees                         | 40               | –                | 40             | 40               | –                | 40             |
| Other expenses                      | 132              | –                | 132            | 156              | –                | 156            |
| <b>Total other expenses</b>         | <b>736</b>       | <b>–</b>         | <b>736</b>     | <b>745</b>       | <b>–</b>         | <b>745</b>     |
| <b>Total expenses</b>               | <b>2,843</b>     | <b>–</b>         | <b>2,843</b>   | <b>2,997</b>     | <b>–</b>         | <b>2,997</b>   |

Details of the investment management fee and agreement are provided below.

The Investment Management Agreement is terminable by either party thereto on not less than six months' written notice at any time, subject to earlier termination in certain circumstances including certain breaches or the insolvency of either party.

The Investment Manager is entitled to receive from the Company for its services as Investment Manager a basic fee and, in certain circumstances, a performance fee. The basic fee is payable monthly in arrears (and pro rata for part of any month during which the investment management agreement is in force). This monthly fee is equivalent to one twelfth of one per cent. of the Company's Adjusted Market Capitalisation. The investment management agreement defines the 'Company's Adjusted Market Capitalisation' as the aggregate closing mid-market price of the ordinary shares on the last business day of the month or part of a month for which the basic fee is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own ordinary shares at a discount in the twelve month period ending on such business day.

# Notes to the Financial Statements continued

## 5 Investment management fees and other expenses (continued)

Since 1 January 2016, in calculating the monthly management fees, the Company's Adjusted Market Capitalisation has been reduced by the proportion of the Company's net assets invested in funds held which are managed by Aberdeen Asset Management PLC at the end of such month.

The Investment Manager may receive, in addition to the basic fee, a performance fee in respect of each Relevant Period ending 31 October. It is based on the outperformance of NAV per share (before deducting the performance fee) over the Benchmark NAV per share. The Benchmark NAV per share is the Base NAV per share for the Relevant Period, increased or reduced by the percentage, if any, by which the MSCI Emerging Markets Net Total Return Index in Sterling terms (Bloomberg ticker: NDUEEGF Index) has increased or reduced over the Relevant Period. The Base NAV is the NAV at the commencement of business on the first day of such Relevant Period, adjusted for the number of ordinary shares to be issued during such Relevant Period pursuant to the exercise of subscription shares prior to the commencement of such Relevant Period.

As at 31 October 2016 the NAV per share was 618.79p (2015: 453.53p). The performance fee is 10% of the outperformance of the NAV per share over the Benchmark NAV per share, provided that the NAV per ordinary share has increased since the end of the last period in respect a performance fee was payable, i.e. the High Water Mark of 559.24p per share (2015: 559.24p). The performance fee calculation is based on figures taken from the audited financial statements.

The performance fee in respect of a particular Relevant Period will not exceed 2% of the Company's Net Asset Value at the close of business on the final Business Day of the Relevant Period to which such fees relate. There was no performance fee in the current year (2015: nil).

Vistra Fund Services (Guernsey) Limited ('Vistra') is appointed as Administrator and Secretary to the Company. Vistra is appointed under a contract subject to ninety days' written notice and receives a fee at a rate of £40,000 per annum plus certain additional fees, as well as the fees payable to the UK Administration Agent.

PraxisIFM Fund Services (UK) Limited ('PraxisIFM') is appointed by Vistra to act as administration agent in the United Kingdom. PraxisIFM is appointed under a contract subject to not less than ninety days' notice. The UK Administration Agent receives from the Administrator a monthly fee equal to one twelfth of 0.1% of Net Asset Value subject to a maximum fee for the year ended 31 October 2016 of £135,591 (2015: £134,650) per annum. The maximum fee is increased annually, in November, by the change in the UK Retail Price Index (all items) over the preceding 12 months.

Northern Trust (Guernsey) Limited, receives fees for depositary services calculated at the rate of 2.95 basis points per annum subject to a minimum annual fee of £60,000. Northern Trust (Guernsey) Limited also receives a fee for custody services comprising an account fee of £2,500 per account per annum, principal/income split of £1,250 per account per annum and single line items (unit trust) reporting of £500 per line per annum. It also receives an asset based fee equal to between 1.00 basis points and 40.00 basis points of the value of the assets of the Company. Transaction based fees are also payable of between £10 and £125 per transaction. The variable fees are dependent on the countries in which the individual holdings are registered.

The Company's ongoing charges for the year ended 31 October 2016, calculated using the Association of Investment Companies methodology were 1.10% (2015: 1.20%).

## 6 Directors' fees

The fees payable for the year were £133,100 (2015: £172,500). There were no other emoluments.

## 7 Transaction charges

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Transaction costs on purchases of investments  | 179           | 169           |
| Transaction costs on sales of investments  | 37            | 108           |
| <b>Total transaction costs included in gains/(losses) on investments designated as fair value through profit or loss</b> | <b>216</b>    | <b>277</b>    |

## 8 Finance costs

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Interest payable                                | 31            | 26            |
| Facility and arrangement fees and other charges | 15            | 15            |
| <b>Total finance costs</b>                      | <b>46</b>     | <b>41</b>     |

The Company has an overdraft credit facility agreement with Northern Trust (Guernsey) Limited. The facility is an uncommitted facility and is repayable on demand. The maximum amount that may be drawn down under the facility is £10 million and any amounts drawn down have to be repaid within 90 days of the making of a drawing under the facility.

No amount was drawn down from the facility during the period and the Company had no borrowings at 31 October 2016 (2015: nil).

## 9 Earnings per share

Earnings per share is based on the total comprehensive income for the year ended 31 October 2016, being a gain of £85,601,000 (2015: loss of £20,745,000) attributable to the weighted average of 51,904,033 (2015: 51,926,229) ordinary shares in issue (excluding shares held in treasury) in the year ended 31 October 2016.

Supplementary information is provided as follows: revenue per share is based on the net revenue loss of £233,000 (2015: loss £983,000) and capital earnings per share is based on the net capital gain of £85,834,000 (2015: loss of £19,762,000) attributable to the above ordinary shares.

## 10 Investments and classification of financial instruments

### Investments

|   | 2016<br>£'000  | 2015<br>£'000   |
|---|----------------|-----------------|
| Quoted and listed closed ended fund investments               | 202,178        | 196,510         |
| Open ended fund and limited liability partnership investments | 116,535        | 36,600          |
| <b>Total investments at fair value</b>                        | <b>318,713</b> | <b>233,110</b>  |
| Movement during the year:                                     |                |                 |
| Opening balance of investments, at cost                       | 243,688        | 229,129         |
| Additions, at cost  | 91,566         | 97,807          |
| Disposals, at cost  | (90,421)       | (83,248)        |
| <b>Cost of investments at 31 October</b>                      | <b>244,833</b> | <b>243,688</b>  |
| <b>Revaluation of investments to fair value</b>               |                |                 |
| Opening balance   | (10,578)       | 25,257          |
| Net movement*   | 84,458         | (35,835)        |
| <b>Balance at 31 October</b>                                  | <b>73,880</b>  | <b>(10,578)</b> |
| <b>Fair value of investments at 31 October</b>                | <b>318,713</b> | <b>233,110</b>  |

Transaction costs on investments are disclosed in note 7.

\*See note 12.

## Notes to the Financial Statements continued

### 10 Investments and classification of financial instruments (continued)

The table below sets out the classifications of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments.

|  | Designated<br>as at fair<br>value<br>£'000 | Loans and<br>receivables<br>£'000 | Other<br>financial<br>liabilities<br>£'000 | Total<br>£'000 |
|--|--|-----------------------------------|--|----------------|
| <b>31 October 2016</b>                             |  |                                   |  |                |
| Investments  | 318,713                                    | –                                 | –  | 318,713        |
| Cash and cash equivalents                          | –  | 2,110                             | –  | 2,110          |
| Sales for future settlement and other receivables  | –  | 1,798                             | –  | 1,798          |
| Purchases for future settlement and other payables | –  | –                                 | (2,406)                                    | (2,406)        |
|  | <b>318,713</b>                             | <b>3,908</b>                      | <b>(2,406)</b>                             | <b>320,215</b> |

|  | Designated<br>as at fair<br>value<br>£'000 | Loans and<br>receivables<br>£'000 | Other<br>financial<br>liabilities<br>£'000 | Total<br>£'000 |
|--|--|-----------------------------------|--|----------------|
| <b>31 October 2015</b>                             |  |                                   |  |                |
| Investments  | 233,110                                    | –                                 | –  | 233,110        |
| Cash and cash equivalents                          | –  | 1,996                             | –  | 1,996          |
| Sales for future settlement and other receivables  | –  | 689                               | –  | 689            |
| Purchases for future settlement and other payables | –  | –                                 | (296)                                      | (296)          |
|  | <b>233,110</b>                             | <b>2,685</b>                      | <b>(296)</b>                               | <b>235,499</b> |

### 11 Share capital

|  | As at 31 October 2016  |                     | As at 31 October 2015  |                     |
|--|------------------------|---------------------|------------------------|---------------------|
|  | Nominal value<br>£'000 | Number<br>of shares | Nominal value<br>£'000 | Number<br>of shares |
| <b>Authorised</b>                      |                        |                     |                        |                     |
| Ordinary shares of 1p nominal value    | Not applicable         | Unlimited           | Not applicable         | Unlimited           |
| <b>Allotted, issued and fully paid</b> |                        |                     |                        |                     |
| Ordinary shares of 1p nominal value    | 546                    | 54,618,507*         | 546                    | 54,618,507*         |

\*of which 2,870,328 ordinary shares were held in treasury at 31 October 2016 (2,692,278 ordinary shares held in treasury at 31 October 2015).

#### Share capital account

The aggregate balance (including share premium) standing to the credit of the share capital account at 31 October 2016 was £186,840,000 (2015: £187,725,000).

#### Ordinary shares

##### Voting rights

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company. Each ordinary share (excluding shares in treasury) carries one vote. Treasury shares do not carry voting rights.

##### Dividends

The holders of ordinary shares are entitled to such dividend as maybe declared by the Company from time to time. Shares held in treasury do not receive dividends.

##### Capital entitlement

On a winding up, the ordinary shares (excluding treasury shares) shall rank pari passu for the nominal capital paid up thereon and in respect of any surplus. Shares held in treasury have no capital entitlement on a winding up of the Company.

## 12 Capital reserve

|   | 2016<br>£'000  | 2015<br>£'000   |
|---|----------------|-----------------|
| <b>Disposal of investments</b>                                |                |                 |
| Opening balance   | 64,823         | 48,750          |
| Gains from disposal of investments*                           | 12,239         | 21,716          |
| Losses from disposal of investments*                          | (11,517)       | (5,503)         |
| Foreign exchange gains/(losses)                               | 654            | (140)           |
| <b>Balance at 31 October</b>                                  | <b>66,199</b>  | <b>64,823</b>   |
| <b>Investments held</b>                                       |                |                 |
| Opening balance   | (10,578)       | 25,257          |
| Movement in unrealised gain on valuation of investments held* | 85,515         | 3,054           |
| Movement in unrealised loss on valuation of investments held* | (1,057)        | (38,889)        |
| <b>Balance at 31 October</b>                                  | <b>73,880</b>  | <b>(10,578)</b> |
| <b>Capital reserve balance at 31 October</b>                  | <b>140,079</b> | <b>54,245</b>   |

\*Net gains on investments designated as fair value through profit or loss figure for the year ended 31 October 2016 totalled £84,474,000 (2015: loss of £19,622,000).

## 13 Net asset value per share

Net assets per share is based on net assets of £320,215,000 (2015: £235,499,000) divided by 51,748,179 (2015: 51,926,229) shares (excluding shares held in treasury) in issue at the Statement of Financial Position date.

## 14 Reconciliation of operating gain/(loss) to net cash flow from operating activities

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Operating profit/(loss) before finance costs and taxation | 85,783        | (20,516)      |
| Less: Tax deducted at source on income from investments   | (136)         | (188)         |
| Add: Realisation of investments at book cost              | 90,421        | 83,248        |
| Less: Purchase of investments                             | (91,566)      | (97,807)      |
| Less: Adjustment for unrealised (gains)/losses            | (84,458)      | 35,835        |
| Effect of foreign exchange                                | (385)         | 137           |
| (Increase)/decrease in debtors                            | (1,109)       | (541)         |
| Increase/(decrease) in creditors                          | 2,110         | (12)          |
| <b>Net cash flow from operating activities</b>            | <b>660</b>    | <b>156</b>    |

# Notes to the Financial Statements continued

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## 15 Related party disclosures

### Investment Manager

Investment management fees payable are shown in the statement of comprehensive income. As at 31 October 2016, no performance fee accrual has been made (2015: £nil).

At 31 October 2016, investment management fees of £213,025 (2015: £178,395) were accrued in the statement of financial position. Total investment management fees for the year were £2,107,317 (2015: £2,251,798).

### Funds held at 31 October 2016 which are managed by Aberdeen Asset Management PLC

As at 31 October 2016, the Company held investments in Aberdeen Asian Smaller Companies Investment Trust PLC, Aberdeen Latin American Equity Fund Inc, Edinburgh Dragon Trust PLC and The India Fund Inc. The valuation of these holdings at 31 October 2016 totalled £29,964,000. Since 1 January 2016, the monthly investment management fees have been reduced by the proportion of the Company's net assets invested in funds held which are managed by Aberdeen Asset Management PLC at the end of such month.

As at 31 October 2016, members of the AFML investment management team with responsibilities relevant to the Company had, in aggregate, direct or indirect interests in 9,566 ordinary shares in the Company. As at 31 October 2015, the investment management team at AECL had, in aggregate, direct or indirect interests in 7,644 ordinary shares in the Company.

### Directors

Total fees for the Directors in the year ended 31 October 2016 were £133,100 (2015: £172,500). Of this amount £128,700 (2015: £172,500) had been paid at the year end, with an accrual of £4,400 (2015: £nil) outstanding.

## 16 Financial instruments – risk profile

### Risk management framework

The Company has established procedures to enable it to manage its financial risks. The main financial risks faced from its financial instruments are market risk, liquidity risk and credit risk which are discussed below.

### Market risks

#### (i) Risks associated with emerging markets

Investment in certain developing and emerging securities markets may involve a greater degree of risk than that associated with investment in more developed securities markets. In particular, in certain countries in which the Company is proposing to invest:

- liquidity and settlement risks may be greater;
- accounting standards may not provide the same degree of shareholder protection as would generally apply internationally;
- national policies may restrict the investment opportunities available to foreign investors, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests;
- the fiscal and monetary systems remain relatively undeveloped and this may affect the stability of the economic and financial markets of these countries;
- substantial limitations may exist with respect to the Company's ability to repatriate investment income, capital or the proceeds of sales of securities by foreign investors; and
- assets may be subject to increased political and/or regulatory risk.

The day to day management of the market risks is the responsibility of the Investment Manager, who analyses markets within a framework of quality, value, growth and change. The Board believes the Investment Manager utilises its proven research and management selection experience to ensure that these risks are minimised, as far as is possible. The investment policy employed by the Investment Manager ensures that diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive. The Company's market positions are monitored by the Board in the monthly portfolio valuations and at Board meetings.



## 16 Financial instruments – risk profile (continued)

### (ii) Currency risks

As stated under i) above the Company invests in emerging markets. It is therefore exposed to currency risks which affect both the performance of its investee funds and also the value of the Company's holdings against the Company's functional currency, Sterling. The Company holds US dollars and occasionally other foreign currencies for brief periods in its account with the custodian, but only at times when it expects soon to invest that currency into portfolio holdings.

It is not the Company's policy to hedge against foreign currency movements, nor does the Company use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Movements in exchanges are likely to affect directly and indirectly the value of the Company's investments.

#### Currency price risk sensitivity

The effect of a 1% appreciation/depreciation in the exchange rate of the US Dollar over Sterling would have resulted in an increase/decrease of £1,534,000 (2015: £1,383,000) on the Company's investments designated as fair value through profit or loss at the Statement of Financial Position date. This analysis assumes that all other variables remain constant.

### (iii) Interest rate risk

With the exception of cash, no significant interest rate risks arise in respect of any current asset. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. All cash held as a current asset is Sterling or US dollar and is held at the variable interest rates of the custodian.

The Company has an overdraft facility with Northern Trust (Guernsey) Limited. The facility is an uncommitted facility and is repayable on demand. The maximum amount that may be drawn down under the facility is £10 million and any amounts drawn down must be repaid within 90 days of the making of a drawing under the facility. No amount was drawn down from the facility at 31 October 2016 (2015: nil).

Movements in interest rates are likely to affect indirectly the value of the Company's investments.

#### Interest rate risk sensitivity

Movements in interest rates would not directly affect the Company's investments or other net assets, to a material extent, as the majority of the assets are held in equity investments. Movements in interest rates are likely to affect indirectly the value of the Company's investments. However, it is not possible to give an accurate assessment of how significant changes in interest rates would affect the prices of equity investments held by the Company.

#### Quantitative analysis

A breakdown of the pricing denominations of the funds in which the Company is invested is below.

The Company's financial assets and liabilities at 31 October comprised:

|   | 2016  |                                      |                |                    | 2015  |                                      |                |                    |
|---|---|--------------------------------------|----------------|--------------------|---|--------------------------------------|----------------|--------------------|
|   | Cash flow<br>interest<br>rate risk<br>£'000 | No<br>interest<br>rate risk<br>£'000 | Total<br>£'000 | % of net<br>assets | Cash flow<br>interest<br>rate risk<br>£'000 | No<br>interest<br>rate risk<br>£'000 | Total<br>£'000 | % of net<br>assets |
| <b>Non-current asset investments<br/>at fair value:</b> |   |                                      |                |                    |   |                                      |                |                    |
| EUR denominated   | –   | 8,526                                | 8,526          | 2.7                | –   | –                                    | –              | 0.0                |
| GBP denominated   | –   | 156,745                              | 156,745        | 48.9               | –   | 94,763                               | 94,763         | 40.2               |
| USD denominated   | –   | 153,442                              | 153,442        | 47.9               | –   | 138,347                              | 138,347        | 58.8               |
| Cash at bank  |   |                                      |                |                    |   |                                      |                |                    |
| Floating rate – GBP                                     | 944   | –                                    | 944            | 0.3                | 232   | –                                    | 232            | 0.1                |
| Floating rate – USD                                     | 1,166                                       | –                                    | 1,166          | 0.4                | 1,764                                       | –                                    | 1,764          | 0.7                |
| Short term debtors                                      | –   | 1,798                                | 1,798          | 0.6                | –   | 689                                  | 689            | 0.3                |
| Short term creditors                                    | –   | (2,406)                              | (2,406)        | (0.8)              | –   | (296)                                | (296)          | (0.1)              |
|   | <b>2,110</b>                                | <b>318,105</b>                       | <b>320,215</b> | <b>100.0</b>       | <b>1,996</b>                                | <b>233,503</b>                       | <b>235,499</b> | <b>100.0</b>       |

## Notes to the Financial Statements continued

### 16 Financial instruments – risk profile (continued)

#### (iv) Other price risks

The principal price risk for the Company is the price volatility on the investment portfolio. The Investment Manager attempts to diversify the price risk by spreading its investments across a number of geographical regions and economic sectors. The Board meets regularly to review the Investment Manager's performance and the asset allocation.

#### Market price risk sensitivity

The effect on the portfolio of a 10% increase or decrease in market prices would have resulted in an increase or decrease of £31,871,300 (2015: £23,311,000) in the investments designated as fair value through profit or loss at the Statement of Financial Position date, equivalent to 10.0% (2015: 9.9%) of the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

#### Market concentration

At 31 October 2016, the largest five country concentrations on a look through basis were as follows:

| Country | % of net assets |
|---------|-----------------|
| China   | 20.6%           |
| Korea   | 13.6%           |
| Taiwan  | 9.4%            |
| India   | 8.3%            |
| Russia  | 7.2%            |

#### Liquidity risks

The majority of the Company's investments are in quoted securities. A high percentage of securities are listed on the London or New York Stock Exchanges and are considered to be readily realisable by comparison with most emerging market securities. The Company also holds unquoted investments, which are predominantly in open-ended funds. Some delay may be encountered in obtaining liquidity in respect of these securities; the Company may utilise its borrowing powers on a short-term basis to avoid delays in reinvestment of the proceeds of redemptions. As at 31 October 2016, the Company held shares in Tarpon All Equities Cayman (Series B) L.P. ('Tarpon'). Tarpon holds side pockets within private equity structures which were valued at £0.8m at 31 October 2016.

The Investment Manager has estimated the percentages of the portfolio that could be liquidated within various timescales, assuming one third of daily trading volumes. The results are shown below.

|              |     |
|--------------|-----|
| One month    | 64% |
| Three months | 78% |
| One year     | 89% |

The Company had £2,027,000 (2015: £53,000) purchase transactions and £1,526,000 (2015: £573,000) sales transactions awaiting settlement at the year end.

The liquidity of the underlying holdings in the funds in which the Company is invested may have an impact on the ability of the Company to realise its holdings in those funds.

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## 16 Financial instruments – risk profile (continued)

### Credit risks

The Company's principal direct credit risk is the risk of default on cash held at the custodian. Cash at bank at 31 October 2016 included £1,827,000 (2015: £1,816,000) held by the custodian, Northern Trust (Guernsey) Limited. The Company monitors the credit quality of the custodian. Interest is based on the prevailing money market rates. The Company also holds a limited amount of cash in an account at Lloyds Bank, an account which is primarily used for the payment of the fund's operating expenses.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis. When investments are made in open-ended funds, the Investment Manager performs due diligence on those funds before making any investment.

All of the assets of the Company are held by the custodian or through the custodian's nominated sub custodians. Bankruptcy or insolvency of the Company's custodian, Northern Trust (Guernsey) Limited, or its sub custodians may cause the Company's rights with respect to securities held by them to be delayed or limited. The latest credit ratings at the time of approval of this document for Northern Trust (Guernsey) Limited's parent company, The Northern Trust Company, were as follows:

|                         | Standard & Poor's | Moody's | Fitch Ratings |
|-------------------------|-------------------|---------|---------------|
| Individual rating       | –                 | –       | B             |
| Short-term deposit/debt | A-1+              | P-1     | F1+           |
| Long-term deposit/debt  | AA-               | Aa2     | AA            |

The funds in which the Company is invested may be exposed to credit risk.

### Capital management

The Company considers that its capital consists of its net assets.

The Company's authorised share capital consists of an unlimited number of ordinary shares of £0.01 par value. At 31 October 2016 there were 51,748,179 (2015: 51,926,229) ordinary shares in issue (excluding shares held in treasury).

The Investment Manager and the Company's broker monitor the demand for the Company's shares and the directors review the position at Board meetings. Details on the Company's policies for issuing further shares and buying back shares can be found in the Directors' Report.

The Company is permitted to borrow, at the point of drawdown, up to 15% of its net assets. Any borrowings will not be used to fund investments but may be used to meet working capital requirements or to take advantage of favourable investment opportunities pending the payment of proceeds from the sale or redemption of investments. The Company had a credit facility with Northern Trust (Guernsey) Limited in place at 31 October 2016. The maximum which may be drawn down under the facility is £10 million and any amounts drawn down must be repaid within 90 days of the making of a drawing under the facility. The Company has certain financial provisions which it must meet in relation to the facility. In particular, the borrowings under the facility may not exceed at any time the lesser of (a) 10% of the aggregate value of the Company's assets held in the custody of the custodian or (b) 100% of any borrowing limit set out in the constitutional documents of the Company.

The Company does not have any externally imposed capital requirements other than disclosed above.

# Notes to the Financial Statements continued

## 16 Financial instruments – risk profile (continued)

### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities with financial instruments either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical business standards;
- insurance; and
- risk mitigation.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the main service providers to the Company and a review of their internal controls documents prepared under industry recognised guidance, if available.

## 17 Valuation of financial instruments

The Company's financial assets and liabilities held at fair value through profit or loss are valued at fair value in accordance with the provisions of IFRS 13 as described in note 2 (g).

The classification of the Company's investments held at fair value as at 31 October 2016 is detailed in the table below:

|              | 2016<br>£'000  | 2015<br>£'000  |
|--------------|----------------|----------------|
| Level 1      | 258,374        | 162,236        |
| Level 2      | 59,502         | 69,908         |
| Level 3      | 837            | 966            |
| <b>Total</b> | <b>318,713</b> | <b>233,110</b> |

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities in active markets. The Company does not adjust the quoted price for these instruments.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include monthly priced investment funds. The underlying net asset values of the open ended funds included under level 2 are prepared using industry accepted standards and the funds have a history of accepting and redeeming funds on a regular basis at net asset value. The net asset values of regularly traded open ended funds are considered to be reasonable estimates of the fair values of those investments and such investments are therefore classified within level 2 if they do not meet the criteria for inclusion in level 1.

## 17 Valuation of financial instruments (continued)

During the year, a security, with a carrying amount of £18.0m, was transferred from Level 1 to Level 2 of the fair value hierarchy, due to inactive trading volumes at the end of the year.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. The level 3 figure consists of private equity investments held in a side pocket of Tarpon and the Company's residual holdings in Renaissance Russia Infrastructure Equities Limited, which is in liquidation. These are stated at fair value which is estimated in good faith by the directors following consultation with the Investment Manager with a view to establishing the probable realisable value of these investments. The fair value of the Tarpon and its side pocket has been based on an unadjusted net asset value provided by the administrator of that fund.

The movement on the level 3 classified investments during the year to 31 October 2016 is shown below:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <b>Opening balance</b>  | <b>966</b>    | <b>1,741</b>  |
| Additions during the year   | –             | –             |
| Disposals during the year   | –             | (26)          |
| Profit or loss on disposals during the year   | –             | 26            |
| Valuation adjustments   | (129)         | (775)         |
| <b>Closing balance at 31 October</b>  | <b>837</b>    | <b>966</b>    |
| Total gains and losses for the year included in profit or loss relating to assets held at the end of the year | (129)         | (775)         |

The sensitivity of the fair value measurement of Tarpon is limited to the unadjusted net asset value provided by the administrator of that fund.

### Structured entities

The Company invests in a portfolio of funds and products which give diversified exposure to developing and emerging market economies. The Company does not consider its investments in listed funds to be structured entities but does consider its investments in unlisted funds to be investments in structured entities because the voting rights in such entities are limited to administrative tasks and are not the dominant factor in deciding who controls those entities.

The investments in structured entities are subject to the terms and conditions of offering documents and/or constitutional documents. These investments are subject to market price and other risks arising from their underlying portfolios. Investee funds are managed by portfolio managers who are compensated by the respective funds for their services. Such compensation generally may consist of an asset based fee and/or a performance based fee.

The investments in structured entities are financial assets which are designated as fair value through profit or loss in the Company's financial statements.

The exposure to investments in investee funds and products at fair value by strategy employed is disclosed in the following table.

| Strategy         | Number of investee funds | Fair value range<br>£'000 | Weighted average fair value<br>£'000 | Investment at fair value<br>£'000 | % of total net assets |
|------------------|--------------------------|---------------------------|--------------------------------------|-----------------------------------|-----------------------|
| Equity long-only | 13                       | 0-16,344                  | 11,470                               | 116,535                           | 36.4%                 |

### Equity long-only

Portfolio managers implementing equity long-only strategies generally take long positions in equity related instruments such as ordinary shares, preferred shares, convertible bonds, depositary receipts, exchange traded funds and market access products such as index futures with the expectation that the asset will rise in value.

# Notes to the Financial Statements continued

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### 18 Operating segments

The Board of Directors is responsible for ensuring that the Company's objective and investment strategy is followed. The day-to-day implementation of the investment strategy has been delegated to the Investment Manager but the Board retains responsibility for the overall direction of the Company. The Board reviews the investment decisions of the Investment Manager at regular Board meetings to ensure compliance with the investment strategy and to assess the achievement of the Company's objective. The Investment Manager has been given full authority to make investment decisions on behalf of the Company in accordance with the investment strategy and analyses markets within a framework of quality, value, growth and change. The investment policy employed by the Investment Manager ensures that diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive. The Company's positions are monitored as a whole by the Board in monthly portfolio valuations and at Board meetings. Any significant change to the Company's investment strategy requires shareholder approval.

The Company has a diversified portfolio of investments and no single investment accounted for more than 6% of the Company's net assets at the Company's year end. The Investment Manager aims to identify funds which it considers are likely to deliver consistent capital growth over the longer term. Investment income is not a focus of the investment policy and it does not anticipate regular income from its investments. The largest income from an individual investment is a UK investment which accounted for 10% of the total investment income receivable in the year.

At its financial year end, the Company had 305 registered shareholders. At 31 October 2016 there were three shareholders who each held more than 10% of the issued share capital and their holdings were 29% (2015: 27%), 26% (2015: 24%) and 11% (2015: 5%) respectively.

### 19 Contingent assets

The Company was established to act as a successor vehicle to Advance Developing Markets Trust plc ('ADMT'), a UK registered investment trust, and to pursue a similar investment objective and policy to ADMT.

In November 2009, shareholders of ADMT approved a winding-up and scheme of reconstruction under section 110 of the UK Insolvency Act 1986 and holders of ADMT shares received shares in the Company on a one for one basis and all the assets of ADMT became transferable to the Company. The assets of ADMT were transferred to the Company on 10 November 2009, save for amounts reserved by the liquidator in a liquidation fund to cover expenses and potential tax liabilities. In addition, ADMT entered into litigation to pursue a claim for restitution against HM Revenue & Customs to recover amounts of irrecoverable VAT suffered by ADMT on investment management fees which had not previously been recovered and an element of interest thereon. It is possible that the Company will receive a further final distribution from the liquidation of ADMT once the VAT case has been concluded and its tax affairs closed. The aggregate maximum distribution from the liquidation fund and a successful claim in the VAT case is currently estimated to be £1.8 million. However, there is significant uncertainty at the present time as to the actual amount, if any, and when that amount would be received. Therefore, no amount has been recognised in these accounts as at 31 October 2016 (2015: £nil).

### 20 Post balance sheet events

Since the year ended 31 October 2016, the Company purchased a further 330,450 Ordinary Shares which are held in Treasury.

# Investor Information (unaudited)

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### AIFMD

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager and Northern Trust (Guernsey) Limited as its depositary under the AIFMD. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD which can be found on its website. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 48.

### Pre-investment Disclosure Document ('PIDD')

The AIFMD requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Aberdeen Emerging Markets Investment Company Limited, to make available to investors certain information prior to such investors' investment in the Company. The Company's PIDD is available for viewing on its website.

### Website

Further information on the Company can be found on its own dedicated website: [aberdeenemergingmarkets.co.uk](http://aberdeenemergingmarkets.co.uk). This allows internet users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports.

### Investor warning: be alert to share fraud and boiler room scams

Aberdeen Group has been contacted by investors informing them that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Asset Management or for third party firms. Aberdeen Group has also been notified of emails claiming that certain investment companies under their management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Group and any third party making such offers/claims has no link with Aberdeen Group.

Aberdeen Group does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams: [fca.org.uk/consumers/scams](http://fca.org.uk/consumers/scams).

### Keeping you informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Company's website and the TrustNet website ([trustnet.com](http://trustnet.com)). Alternatively you can call 0808 500 0040 (free when dialing from a UK landline) for investment company information.

If you have any questions about your Company, the Investment Manager or Company performance, please telephone the AAM Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, internet users may email AAM at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

### Shareholder enquiries

In the event of queries regarding their holdings of shares, lost certificates, dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Capita Registrars (Guernsey) Limited, Longue Hougue House, St Sampson, Guernsey GY2 4JN.

Changes of address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, Vistra Fund Services (Guernsey) Limited, 11 New Street, St Peter Port, Guernsey GY1 2PF or by emailing [company.secretary@aberdeen-asset.com](mailto:company.secretary@aberdeen-asset.com).

### Direct investment

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, 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 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 (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of 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 company, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. 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. Investors have full voting and other rights of share ownership.

# Investor Information (unaudited) continued

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### Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the 'Plan') through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of 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%) where applicable. 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 £15,240 can be made in the 2016/2017 tax year, increasing to £20,000 for the 2017/2018 tax year.

The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

### ISA transfer

You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per company of £250.

### Dividend tax allowance

From 6 April 2016, dividend tax credits have been replaced by an annual £5,000 tax-free allowance on dividend income. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

### Literature request service

For literature and application forms for the Company and the Aberdeen Group's investment company products, please contact:

Telephone: 0808 500 4000

Website: [invtrusts.co.uk/en/investmenttrusts/literature-library](http://invtrusts.co.uk/en/investmenttrusts/literature-library)

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

### Aberdeen Investment Trust Administration

PO Box 11020  
Chelmsford  
Essex CM99 2DB

Telephone: 0808 500 0040  
(free when dialing from a UK landline)

Terms and conditions for the AAM managed savings products can also be found under the literature section of [invtrusts.co.uk](http://invtrusts.co.uk).



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## Online dealing details

### Investor information

There are a number of other ways in which you can buy and hold shares in this investment company.

### Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

- AJ Bell You Invest
- Alliance Trust Savings
- Barclays Stockbrokers
- Charles Stanley Direct
- Halifax Share Dealing
- Hargreave Hale
- Hargreaves Lansdown
- Idealing
- Interactive Investor
- Selftrade Equiniti
- The Share Centre
- Stocktrade
- TD Direct

### Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at: [thewma.co.uk](http://thewma.co.uk).

### Financial advisers

To find an adviser on investment companies, visit: [unbiased.co.uk](http://unbiased.co.uk).

### Regulation of stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768

or at [fca.org.uk/firms/systems-reporting/register/search](http://fca.org.uk/firms/systems-reporting/register/search)

Email: [register@fca.org.uk](mailto:register@fca.org.uk)

## Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of 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.

*The information on pages 45 to 47 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.*

## AIFMD Disclosures (unaudited)

Aberdeen Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which may be found on the Company's website. There have been no material changes to the disclosures contained within the PIDD since its most recent update in July 2016.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Investment Manager's Report on pages 2 to 4;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Investment Manger's Report on pages 2 to 4, note 16 to the financial statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company's Investment Manager, Aberdeen Fund Managers Limited on request and the remuneration disclosures in respect of the AIFM's relevant reporting period for the year ended 30 September 2016 will be made available on the Company's website.

### Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

|                                 | Gross method | Commitment method |
|---------------------------------|--------------|-------------------|
| Maximum level of leverage       | 1.15:1       | 1.15:1            |
| Actual level at 31 October 2016 | 1:1          | 1:1               |

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place; the maximum level of leverage which AFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

*The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.*

# Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Aberdeen Emerging Markets Investment Company Limited will be held at 11 New Street, St Peter Port, Guernsey at 11.00 a.m. on 10 April 2017 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 to 9 will be proposed as ordinary resolutions. Resolutions 10 and 11 will be proposed as special resolutions.

## Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 31 October 2016, with the reports of the directors and auditors thereon.
2. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) included in the annual report for the year ended 31 October 2016.
3. To approve the Directors' Remuneration Policy for the three years ended 31 October 2019.
4. To elect Helen Green as a director of the Company.
5. To re-elect John Hawkins as a director of the Company.
6. To re-appoint KPMG Channel Islands Limited as auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company at which audited accounts are laid before the Company.
7. To authorise the directors to determine KPMG Channel Islands Limited's remuneration as auditor of the Company.
8. THAT the Company be and is hereby authorised in accordance with section 315 of the Companies (Guernsey) Law 2008, to make market purchases (within the meaning of section 316 of the Companies (Guernsey) Law 2008 of its ordinary shares of 1p each ('Shares'), provided that:
  - (i) the maximum number of Shares hereby authorised to be acquired is 14.99 per cent. of the issued ordinary share capital of the Company (excluding treasury shares) as at the date of this annual general meeting;
  - (ii) the minimum price (exclusive of expenses) which may be paid for a Share is £0.01;

(iii) the maximum price to be paid per Share shall be the highest of, (a) 105 per cent. of the average of the closing market value of the Shares for the five business days immediately preceding the date of the relevant purchase; (b) the price of the last independent trade; and (c) the highest current independent bid on the trading venues where the purchase is carried out;

(iv) the authority hereby conferred shall expire at the earlier of the conclusion of the annual general meeting of the Company to be held in 2018 and the date being 18 months from the date of this resolution, unless previously renewed, varied or revoked by the Company in general meeting; and

(v) the Company may make a contract to purchase its Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Shares in pursuance of any such contract.

9. THAT the Directors be and hereby generally and unconditionally authorised pursuant to Article 5 of the Articles of Incorporation of the Company to allot and issue up to 2,570,886 ordinary shares of 1p each (including the issue of shares from treasury) ('Shares') or, if less, the number representing 5 per cent. of the issued ordinary share capital of the Company as at the date of the passing of this resolution. This authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may before such expiry make any offer or agreement which would or might require Shares to be allotted or issued after such expiry and the Directors may allot and issue Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

## Special resolutions

10. THAT the Members hereby waive any and all rights of pre-emption or similar rights which they may have whether under the Company's articles of incorporation (including, without limitation, Article 6.2(a)) or otherwise. This waiver will expire at the conclusion of the AGM in 2018.

11. To adopt amended Articles of Incorporation.

By the order of the Board

Vistra Fund Services (Guernsey) Limited

Registered Office:  
11 New Street  
St. Peter Port  
Guernsey  
GY1 2PF

30 January 2017

# Notice of Annual General Meeting continued

## Notes

1. A Shareholder entitled to attend and vote may appoint a proxy to attend, speak and vote instead of him/her. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by the Shareholder. A proxy need not be a Shareholder of the Company.

2. To appoint more than one proxy to vote in relation to different Shares within your holding you may photocopy the Form of Proxy.

Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you), Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.

3. Forms of Proxy duly completed, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's registrar, Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, not later than 11.00 a.m., on 8 April 2017 or not less than 48 hours before the time appointed for the holding of any adjourned AGM or, in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of a poll or in the case of a poll taken not more than 48 hours after it was demanded, the time at which the poll was demanded.

4. A Form of Proxy is included for use by Shareholders to complete, sign and return. Completion and return of the Form of Proxy will not prevent a Shareholder from subsequently attending the AGM or any adjournments and voting in person if he/she so wishes.

5. Entitlement to attend and vote at the AGM (or any adjournment thereof) and the number of votes which may be cast thereat will be determined by reference to the Company's register of Shareholders as at 8 April 2017.

6. To allow effective continuation of the meeting, if it is apparent to the Chairman that no Shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, the Chairman may appoint a substitute to act as proxy in his stead for any Shareholder provided that such substitute proxy shall vote on the same basis as the Chairman.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (whose CREST ID is RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor's or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings.

10. The Company may treat as invalid a CREST Proxy Instructions in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Definitions used in the Notice of AGM and the resolution(s) have the same meanings as given to them in the Circular.

# Form of Proxy

## Aberdeen Emerging Markets Investment Company Limited

I/We \_\_\_\_\_ of \_\_\_\_\_ (BLOCK CAPITALS PLEASE)

being (a) member(s) of Aberdeen Emerging Markets Investment Company Limited appoint the chairman of the meeting or (see note 1)

\_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at 11 New Street, St Peter Port, Guernsey, on 10 April 2017 at 11.00 a.m. and at any adjournment thereof.

Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

| Resolution  | For                      | Against                  | Withheld                 |
|---|--------------------------|--------------------------|--------------------------|
| 1. To receive and adopt the financial statements for the year ended 31 October 2016, with the reports of the directors and auditors thereon.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 October 2016.           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To approve the Directors' Remuneration Policy for the three years ended 31 October 2019.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To elect Helen Green as a director.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect John Hawkins as a director.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To re-appoint KPMG Channel Islands Limited as auditor to the Company.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To authorise the directors to determine the remuneration of KPMG Channel Islands Limited for the forthcoming financial year.               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To give the Company the authority to purchase its own shares.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To give the Company the authority to allot new shares.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. To waive Members' rights of pre-emption or similar rights which they may have under the Company's articles of incorporation or otherwise. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. To adopt amended Articles of Incorporation.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature \_\_\_\_\_ Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

### Notes

1. If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. The proxy form must be lodged at the Company's registrars, Capita Registrars, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.
3. Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
4. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
5. If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the proxy form.
6. In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, BR3 4ZF, so as to arrive before 11.00 a.m. on 8 April 2017 (48 hours prior to the Annual General Meeting).

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# Directors, Investment Manager and Advisers

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## Directors

Mr Richard Bonsor (Chairman)  
Mr William Collins  
Mr Mark Hadsley-Chaplin  
Mrs Helen Green (appointed 1 July 2016)  
Mr John Hawkins  
Mr Terence Mahony (retired 30 January 2017)

## Secretary and administrator

Vistra Fund Services (Guernsey) Limited  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

## Financial adviser and stockbroker

Stockdale Securities Limited  
Beaufort House  
15 St Botolph Street  
London EC3A 7BB

## Independent auditor

KPMG Channel Islands Limited  
Glategny Court  
Glategny Esplanade  
St Peter Port  
Guernsey GY1 1WR

## Registrars

Capita Registrars (Guernsey) Limited  
Longue Hougue House  
St Sampson  
Guernsey GY2 4JN

## Registered office

11 New Street  
St Peter Port  
Guernsey GY1 2PF

## Company registration number

Incorporated in Guernsey Number 50900

## Website

[aberdeenemergingmarkets.co.uk](http://aberdeenemergingmarkets.co.uk)

## Investment Manager and Alternative Investment Fund Manager

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

## UK administration agent

PraxisIFM Fund Services (UK) Limited  
3rd Floor, Mermaid House  
2 Puddle Dock  
London EC4V 3DB

## Advisers as to Guernsey law

Mourant Ozannes  
1 Le Marchant Street  
St Peter Port  
Guernsey GY1 4HP

## Depository services and custodian

Northern Trust (Guernsey) Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 3DA

## Customer Services Department and Aberdeen Children's Plan, Share Plan and ISA enquiries

Aberdeen Investment Trusts  
PO Box 11020  
Chelmsford  
Essex CM99 2DB

Freephone: 0808 500 0040  
(open Monday to Friday, 9.00 a.m. – 5.00 p.m.)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

## United States Internal Revenue Service FATCA Registration Number ('GIIN')

WLL8YJ.99999.SL.831

## Legal Entity Identifier ('LEI')

213800RIA1NX8DP4P938

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