

# Advance Developing Markets Fund Limited

Annual Report and Accounts  
31 October 2015



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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 2015

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

**-8.1%**

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Share price – mid market<sup>2</sup>

**-9.5%**

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MSCI Emerging Markets Net Total Return Index  
in Sterling terms

**-11.4%**

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As at 31 October 2015

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NAV per share<sup>3</sup>

**453.5p**

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Ordinary share price – mid market

**400.4p**

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Net Assets

**£235.5m**

<sup>1</sup> Measured against a closing NAV at 31 October 2014 of 493.5p

<sup>2</sup> Measured against a closing mid-market ordinary share price at 31 October 2014 of 442.3p

<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 the website of the Investment Manager [aberdeen-emerging-capital.com](http://aberdeen-emerging-capital.com)

# Chairman's statement

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On behalf of the Board, I am pleased to present the annual financial report of Advance Developing Markets Fund Limited ('ADMF', the 'Company' or the 'Fund') for the period ended 31 October 2015.

### Performance

The reporting period proved to be highly challenging for investors in emerging markets, with currency weakness a persistent theme as investors reacted to China's slowdown, the expectation of rising US interest rates, a sovereign debt crisis in Greece, geo-political concerns in parts of the Middle East and Ukraine as well as a home-grown political scandal in Brazil.

Against this backdrop, the twelve months to the end of October 2015 saw the Company's NAV decline by 8.1% compared with an 11.4% fall in the benchmark MSCI Emerging Markets Index. While I am disappointed that the Company's net asset value declined in absolute terms, I take some comfort from the fact that the Investment Manager's investment approach of investing in a combination of discounted closed-end funds and best-of-breed managers of open ended funds outperformed the benchmark by 3.3%.

### Discount

Over the course of the year the Company's ordinary shares traded at an average discount to net asset value of 11.0%. While this level of discount is not one that I view with any satisfaction, I note that it is broadly consistent with comparable funds investing in mainstream emerging market equities, evidencing a general lack of appetite for emerging market assets.

### Acquisition of Investment Manager

On 15 September 2015 it was announced that the Company's Investment Manager, Aberdeen Emerging Capital Limited which was formerly named Advance Emerging Capital Limited ('AECL') had reached an agreement with Aberdeen Asset Management PLC ('Aberdeen') whereby Aberdeen would acquire 100% ownership of AECL. The transaction received regulatory approval from the UK Financial Conduct Authority and was completed in December 2015.

The Board of the Company is supportive of the transaction. The investment management team of AECL will remain unchanged and AECL is expected to benefit from the significant additional resources available within Aberdeen.

### Proposal to change the Company's name

As a consequence of the Aberdeen transaction the Board considered the merits of changing the Company's name. We believe that there are benefits that will accrue from Aberdeen's high profile and good reputation, notably in attracting additional retail demand for the Company's shares. Therefore we are proposing that the Company's name be changed to Aberdeen Emerging Markets Investment Company Limited. This will be proposed at the Company's forthcoming Annual General Meeting scheduled for 14 April 2016. I and my fellow directors intend to vote our shareholdings in favour and I would encourage shareholders to support this change.

### Outlook

The last few years have been challenging for investors in emerging markets with some commentators even questioning whether or not the concept of emerging markets as an asset class remains valid. Sentiment is at a low ebb and uncertainty prevails despite market valuations appearing to be reasonably attractive. The Investment Manager discusses the issues facing the asset class in its report and I concur with their conclusion that emerging markets are still relevant and currently present active managers with many opportunities to deliver superior returns. Much will depend on how the Chinese economy fares and the better performance of commodity prices which affect a large segment of our investment universe.

As always, I would like to thank the Company's shareholders for their continued support, my fellow directors for their diligence and professionalism and all our advisers for their advice and assistance.

**Richard Bonsor**  
Chairman

25 January 2016

# Investment Manager's report

During the financial year the Company's net asset value per share and share price fell by 8.1% and 9.5% respectively. Both were comfortably ahead of the benchmark MSCI Emerging Markets Net Total Return Index which declined by 11.4%.

Looking at the sources of benchmark outperformance, fund selection was the major contributor, with strong relative returns from the Company's holdings in China (Neuberger Berman – China Equity Fund, Fidelity China Special Situations PLC), India (Goldman Sachs India Equity Portfolio), Korea (KIM Korea Navigator Fund, Weiss Korea Opportunity Fund Limited) and Thailand (Ton Poh Thailand Fund – Class C). A positive contribution was achieved through asset allocation with underweight positions in Brazil, Colombia, Malaysia and Poland aiding to relative performance. Discount movements detracted from performance as poor sentiment led to widening across a number of portfolio holdings, including Aberdeen Asian Smaller Companies Investment Trust PLC, Edinburgh Dragon Trust PLC, Korea Fund Inc and Weiss Korea Opportunity Fund Limited.

## Performance attribution for the year ended 31 October 2015

<b>Fund selection</b>	<b>4.2%</b>
Asia	4.4%
EMEA	(0.1%)
Latin America	(0.1%)
<b>Asset allocation</b>	<b>0.6%</b>
Asia	(0.4%)
EMEA	(0.2%)
Latin America	0.7%
Cash (direct and underlying)	0.5%
<b>Discount movements</b>	<b>(0.3%)</b>
<b>Fees and expenses</b>	<b>(1.2%)</b>
<b>Relative net asset value performance</b>	<b>3.3%</b>

## Market environment

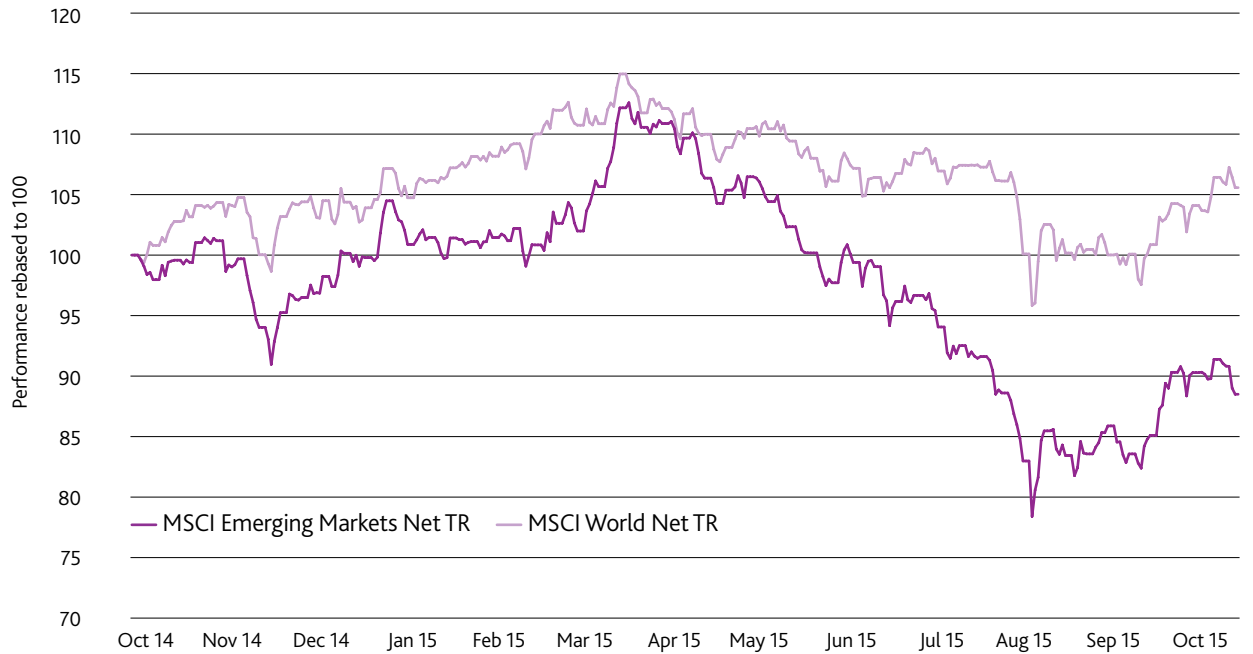
Emerging markets declined during the period, despite enjoying several sharp rallies, with sentiment towards the asset class as a whole largely driven by investors' focus on a handful of high-level issues. These included the timing and impact of a long-anticipated increase in US interest rates, the consequences of slowing economic growth in China and the knock-on effects of this which were felt around the emerging world. Much of this concern was reflected in currency weakness with JP Morgan's index of emerging market currencies declining by almost 18% during the year and the Brazilian real, Turkish lira, South African rand and Russian ruble falling to all-time lows against the US dollar. Foreign investors continued to exit the asset class with Bank of America Merrill Lynch reporting that emerging market equity funds saw outflows of USD 62 billion over the first ten months of 2015 compared with USD 25 billion for the whole of 2014.

On a regional basis, Asia outperformed despite declining by 4.3%. China was the best performing market in the region, delivering a return of 3.0%, which masks a hugely volatile and eventful year for China's stock markets, currency and economy. By mid-April the MSCI China Index had surged by more than 40% from its October 2014 level as investors took encouragement from monetary policy easing measures and the opening up of China's securities markets following the launch of the Shanghai-Hong Kong Stock Connect program in November 2014 allowing investors in the Hong Kong and Shanghai markets to trade eligible shares in either market using their local brokers and trading accounts. The market then more than relinquished those prior gains on valuation concerns and fears over the impact of a clamp-down on margin trading in domestic A-Shares. The People's Bank of China attempted to stabilise the market with interest rate and reserve requirement cuts but these had limited immediate impact. Weak economic data releases through the summer added to the negativity and the authorities delivered a surprise currency devaluation in August as well as further reductions in both interest rates and reserve requirements and numerous other measures designed to support economic growth, the stock market and real estate markets.

South Korea's stock market fell by just 2.8% despite an outbreak of viral respiratory illness MERS contributing to weak summer domestic consumption and a challenging year for exports. Towards the end of the period, Samsung Electronics, the largest stock in the market, announced a large share buyback programme and a commitment to distribute 30%-50% of free cash flow to shareholders over the coming years. This positive development, coming from such a high profile company, is significant given that Korea's low dividend payout ratio and the reluctance of corporate managements to return capital to shareholders are often cited as reasons for the market trading at a discount to its peers.

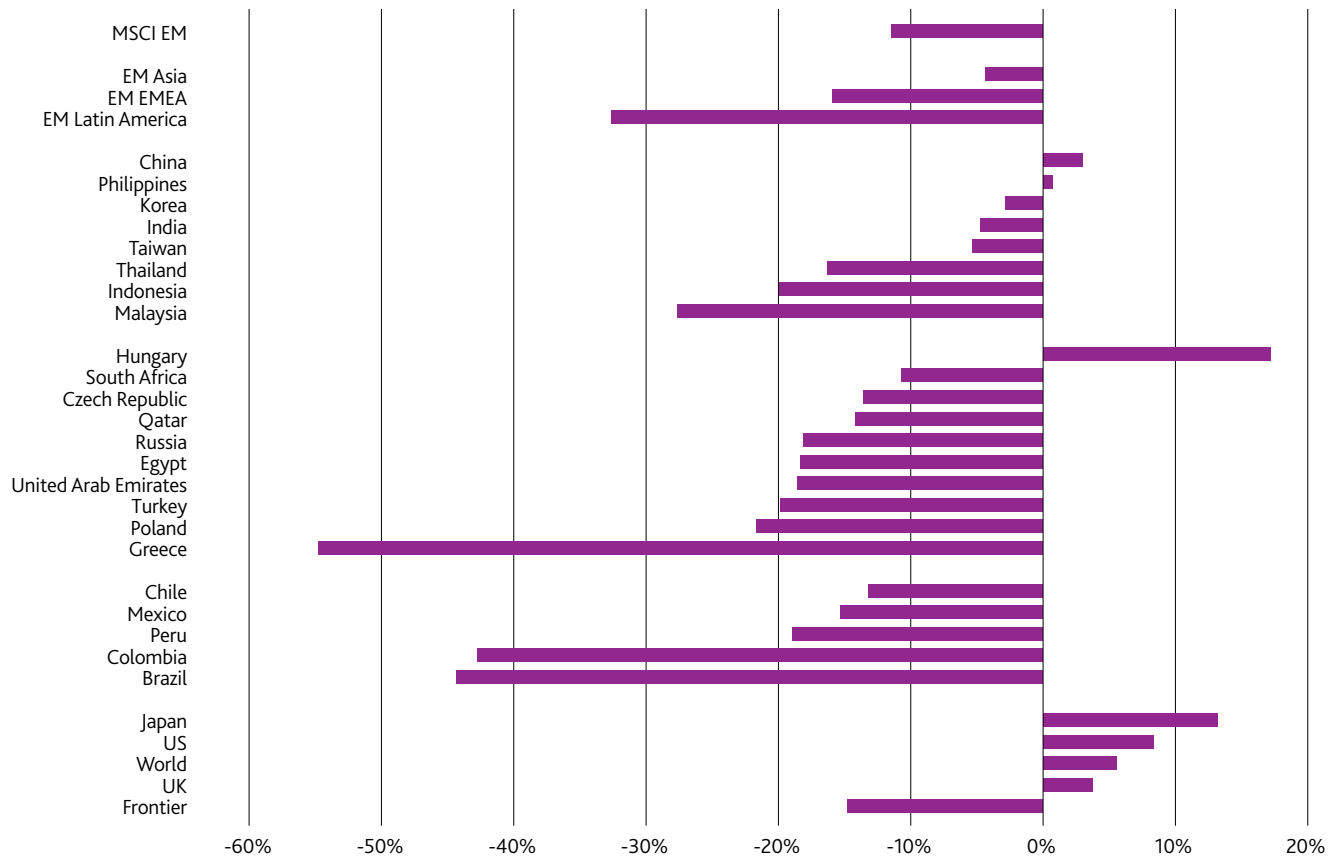
The Indian market declined by 4.7% as some of the euphoria that existed post Prime Minister Modi's decisive election victory in May 2014 dissipated, with investors growing impatient over a perceived lack of progress on key reforms including delays to the introduction of the Goods and Services Tax. Lacklustre earnings and mooted changes to the tax regime for foreign investors were inconsistent with investors' elevated expectations and also contributed to profit taking during the period. The Indonesian market was among the weaker performers in Asia, losing 19.8% with currency weakness contributing meaningfully to that loss. President Joko Widodo was slow to gain traction with his reform initiatives and investors took fright at rising inflation, weak GDP growth and disappointing corporate earnings. Malaysia delivered the worst return in Asia, a loss of 27.4% as the ringgit reached lows last seen during the Asian crisis and an ongoing political and financial scandal at government-run strategic development company 1MDB continued to create negative headlines. Weak commodity prices, especially oil, did nothing to help either Indonesia or Malaysia.

Chart 1. Emerging and developed market performance during the year to 31 October 2015



Source: Bloomberg. GBP returns for the period from 31 October 2014 to 31 October 2015

Chart 2. Market performances during the half year to 31 October 2015



Source: Bloomberg. GBP returns for the period from 31 October 2014 to 31 October 2015

# Investment Manager's report continued

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In Eastern Europe, the Russian index fell by 18.0% and continued to be affected by the direction of energy prices as well as geo-political tensions. The Turkish market fell 19.7% in a year of political uncertainty and rising tensions around its borders. President Erdogan lost his parliamentary majority in early June but a coalition government failed to emerge and the election was re-run on 1 November, the day after the Company's financial year end, resulting in Erdogan regaining his parliamentary majority. Greek equities lost 54.4% during what was a volatile period as the country narrowly avoided default and potential ejection from the Eurozone.

Qatar and the United Arab Emirates, both recent entrants to the emerging market universe, saw their stock markets decline by 14.1% and 18.4% respectively. Sentiment towards the region was impacted by weak energy prices and Qatar's case was not helped by ongoing investigations by the US authorities and Swiss prosecutors into FIFA's award of the World Cup to the country.

South Africa fared better than other markets in the region but still declined by 10.6%. The country continues to face a challenging macroeconomic and political outlook, with ongoing electricity blackouts, a general acceptance that the state energy utility is bankrupt and the obvious challenges facing the mining sector.

In Latin America, the Brazilian market lost 44.0%. The economy is in the middle of a deep recession that is expected to last until 2017. The position of President Rousseff looks increasingly precarious as a consequence of the 'Car Wash' scandal at state controlled oil company Petrobras. Impeachment may yet await her. The equity and currency market discounted this bleak picture aggressively and S&P downgraded Brazil's credit rating to junk status in September. Mexico fared better, but still lost 15.2% with currency weakness contributing to that loss despite a relatively robust economic performance supported by reforms, remittances and trade with the US.

## Portfolio

At the end of the period the portfolio comprised 44 positions with the top 20 accounting for 76.8% of net assets. As noted in the Company's half yearly report the early part of the year saw the addition of Goldman Sachs India Equity Portfolio to the portfolio as a best-of-breed open ended holding with a manager focused on identifying long term fundamental value opportunities. In the first half of the year opportunistic acquisitions of shares in Genesis Emerging Markets Fund Limited were made on discounts exceeding 13%. The average discount over the twelve months prior to the Company's purchase was 7.7%.

In the second half of the year we made several significant changes to the portfolio. Within South Africa we chose to exit a longstanding position in Coronation Top 20 South Africa Fund (Cayman Islands) after a period of rapid growth in assets and disappointing relative returns. After extensive due diligence on a number of managers, we initiated a position in Steyn Capital SA Equity Fund SP. This vehicle is managed by Cape Town based boutique Steyn Capital Management, with a focus on identifying companies with high earnings quality and strong

fundamental tailwinds while avoiding those that are suspected of hiding structural weaknesses. The firm is well resourced, a seasoned investor in South Africa, manages a reasonable level of assets and we were able to secure attractive terms for the Company's investment.

Another major new investment during the period was made into the Korea Value Strategy Fund Ltd – Class B. The fund is managed by an experienced team at Petra Capital in Seoul. The approach is one of fundamentally driven deep value investing with a private equity mind-set. The managers run a concentrated, high-conviction portfolio. In simple terms, Petra aims to buy shares of great companies at attractive prices or average companies at give-away prices. Long-term investments are made in companies with durable competitive advantages when the market price does not fully reflect growth potential. Shorter-term investments are focussed on companies when the market price is significantly discounted to its intrinsic value and a catalyst for narrowing discounts exists. Petra's client base is dominated by foundations, endowment funds, family offices and pension funds with long term investment horizons. This investment was the culmination of 24 months of due diligence including several trips to Korea. Funds for this investment were provided by a full exit from KIM Korea Navigator Fund where, as a result of strong performance, the valuation of the underlying portfolio had reached a level we viewed as fully valued.

Late in the period we added significantly to the Company's holding in Korean preferred share vehicle Weiss Korea Opportunity Fund Limited as its discount widened beyond 5%, a level at which the fund's board and management has indicated they would step in and use their 40% buyback authority. Preferred shares in Korea are essentially non-voting ordinary shares with a small extra dividend. Weiss's underlying portfolio traded at a weighted average discount to the equivalent ordinary shares of 35.7% at the end of October 2015. There are several reasons to remain optimistic that the underlying discount can narrow from that level, including gradual improvements in corporate governance, tax and legislative changes and the higher dividend yields offered by preferred shares.

Over the course of the year there was a significant rotation within the Company's closed end fund holdings. New investments or additions were made in Aberdeen Asian Smaller Companies Investment Trust PLC, JPMorgan Chinese Investment Trust PLC, JPMorgan Global Emerging Markets Income Trust PLC, The Mexico Fund Inc, Morgan Stanley China A Share Fund Inc, BlackRock Emerging Europe PLC, JPMorgan Asian Investment Trust PLC and Fidelity China Special Situations PLC on the basis of attractive discounts and/or positive asset allocation views. As a result, the percentage of the fund invested in closed end funds increased to 57.7% over the year. Counterbalancing these were sales of a handful of closed end funds which were largely made on asset allocation or underlying valuation grounds including The India Fund Inc, India Capital Growth Fund Limited, BlackRock World Mining Trust PLC and JPMorgan Russian Securities PLC. Exposure to market access products was stable, with these products used for asset allocation purposes and to manage portfolio liquidity.

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The composition of the portfolio by fund structure as at 31 October 2015 was as follows:

	October 2014	October 2015
Closed ended investment funds	56.9%	57.7%
Open ended investment funds	36.5%	36.5%
Market access products	5.9%	4.8%
Cash and other net assets	0.7%	1.0%

The Fund's geographic allocation is shown on page 6. The period saw the allocation in Asia increase by 8.2% to 68.6% as a result of the relative outperformance of Asian markets and net additions to China and India. In Eastern Europe the size of the overweight positioning in Russia was reduced as a consequence of sales of JP Morgan Russian Securities PLC from March to May as the Russian market recovered strongly. The allocation to Turkey was increased in the first half of the year on valuation grounds to double that of the benchmark. South Africa saw a net decrease as we chose not to reinvest the entire proceeds of the redemption from Coronation Top 20 South Africa Fund (Cayman Islands) back into Steyn Capital SA Equity Fund SP given a challenging top down outlook. The Fund's allocation to Brazil more than halved over the course of the year but was mainly a result of that market's underperformance.

## Market outlook

In the Company's annual report published a year ago, we stated our belief that "positive surprises in terms of growth, reform or political change" would be required to prompt a turnaround in the performance of emerging market assets. Sadly, what occurred instead in 2015 was continued deterioration in most of these factors, with the trend for weaker currencies, energy and commodity prices prevailing and further political and governance issues generating volatility and weighing negatively on sentiment. Investors responded by withdrawing a record USD73 billion from dedicated emerging market funds over the year according to EPFR data.

With emerging markets experiencing a third successive year of both absolute declines and underperformance of developed markets, some commentators have called into question the traditional aggregation of such a diverse group of markets into a single asset class. We disagree and see reasons for selective optimism in 2016.

Sentiment towards emerging markets is as negative as we can recall, even during the depths of the global financial crisis, which we view as a strong contrary indicator. Valuations are very reasonable, both compared to history, developed markets and in absolute terms. In China, while one may question the authorities' methods, we believe a soft landing is being managed. Those same authorities have significant levers they can still pull to avert a crisis, which cannot be said of other emerging markets including Brazil and South Africa, where a turnaround seems dependent on reform or a strong pick-up in global demand and thus export prices. The Chinese market itself is set to grow within an emerging market context, as an increasing number of companies are included in Chinese indices over the coming years. In markets such as India and Mexico, the macroeconomic outlook is robust, although valuations in those markets are commensurately higher. In Eastern Europe, highly attractive valuations, moderate growth and the potential for further stimulus point to better times ahead for investors.

At a bottom up level, discount widening and market volatility have thrown up opportunities for nimble investors in the short term, as well as for the patient ones over the longer term. We are actively taking advantage of such opportunities. The same type of inefficiency at a stock specific level is what has enabled many of our underlying managers to perform admirably in what has been a challenging environment, and we are confident that they will continue to do so.

## Aberdeen acquisition update

As a consequence of Aberdeen's acquisition of us, the investment team has relocated to Aberdeen's London office and is in the process of being integrated into Aberdeen's Alternatives business. Aberdeen is an investment house we have immense respect for, and with which we share a similar investment philosophy and appreciation of the benefits of the closed end fund structure. We are therefore delighted to have joined them and we look forward to continuing to implement our current strategy and process with significant additional support provided by Aberdeen's Closed End Funds team and the operational infrastructure that comes with being part of a FTSE 100 company. Sitting within Aberdeen's rapidly growing Alternatives business will, we believe, enable us to share ideas and best practice to the benefit of the Company's shareholders

Aberdeen Emerging Capital Limited  
(formerly Advance Emerging Capital Limited)

25 January 2016

## Asset allocation

As at 31 October 2015 Country split	ADMF %	Benchmark %
<b>Asia</b>		
China	21.9	23.9
India	10.9	8.4
Indonesia	2.4	2.3
Korea	17.7	16.2
Malaysia	0.5	3.1
Philippines	0.7	1.4
Taiwan	8.6	12.4
Thailand	2.8	2.2
Singapore	1.6	0.0
Other	1.5	0.0
	<b>68.6</b>	<b>69.9</b>
<b>EMEA</b>		
Czech Republic	0.0	0.2
Egypt	0.2	0.2
Greece	0.2	0.3
Hungary	0.0	0.2
Poland	0.8	1.4
Qatar	0.9	1.1
Russia	5.2	3.7
South Africa	5.0	7.8
Turkey	3.2	1.5
UAE	0.6	0.7
Other	1.7	0.0
	<b>17.8</b>	<b>17.1</b>

As at 31 October 2015 Country split	ADMF %	Benchmark %
<b>Latin America</b>		
Brazil	4.4	5.9
Chile	0.3	1.3
Columbia	0.1	0.6
Mexico	4.8	4.8
Peru	0.3	0.4
Other	0.1	0.0
	<b>10.0</b>	<b>13.0</b>
Non-specified	0.6	0.0
Cash in underlying funds	2.2	0.0
Portfolio Cash	0.8	0.0
<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



# Investments

As at 31 October 2015 Company	Value £'000	% of net assets
Weiss Korea Opportunity Fund Limited	14,974	6.4%
Neuberger Berman – China Equity Fund	14,734	6.3%
Korea Fund Inc	13,988	5.9%
Goldman Sachs India Equity Portfolio	13,014	5.5%
Schroder AsiaPacific Fund PLC	12,819	5.4%
Fidelity China Special Situations PLC	11,414	4.8%
Edinburgh Dragon Trust PLC	11,363	4.8%
Steyn Capital SA Equity Fund SP	10,065	4.3%
The China Fund Inc	7,902	3.4%
BlackRock Emerging Europe PLC	7,676	3.3%
<b>Top ten holdings</b>	<b>117,949</b>	<b>50.1%</b>
Genesis Emerging Markets Fund Limited	7,471	3.2%
Taiwan Fund Inc	7,302	3.1%
Lazard Emerging World Fund – Retail	7,212	3.1%
Ton Poh Thailand Fund – Class C	6,783	2.9%
MSCI Daily Net Emerging Markets Taiwan USD Index	6,758	2.9%
GBM Asset Management SICAV – Mexico Fund	6,532	2.8%
Korean Preferred Share Certificate	5,299	2.3%
Korea Value Strategy Fund Ltd – Class B	5,084	2.2%
JPMorgan Emerging Investment Trust PLC	5,040	2.1%
BlackRock Latin American Investment Trust PLC	4,850	2.1%
<b>Next ten holdings</b>	<b>62,331</b>	<b>26.7%</b>
<b>Top twenty holdings</b>	<b>180,280</b>	<b>76.8%</b>

As at 31 October 2015 Company	Value £'000	% of net assets
Komodo Fund Class S	4,687	2.0%
Ashmore SICAV Middle East Equity Fund	4,582	1.9%
Advance Brazil Leblon Equities Fund	4,417	1.9%
Aberdeen Latin America Equity Fund Inc	4,317	1.8%
iShares MSCI Turkey	3,561	1.5%
Aberdeen Asian Smaller Companies Investment Trust PLC	3,472	1.4%
JPMorgan Russian Securities PLC	3,186	1.4%
The India Fund Inc	3,171	1.3%
JPMorgan Asian Investment Trust PLC	3,035	1.3%
Verno Capital Growth Fund Limited	2,687	1.1%
Turkish Investment Fund Inc	2,209	0.9%
Morgan Stanley China A Share Fund Inc	1,836	0.8%
BlackRock World Mining Trust PLC	1,784	0.8%
Qatar Investment Fund PLC	1,646	0.7%
JPMorgan Chinese Investment Trust PLC	1,539	0.7%
Baring Vostok Investments PCC Limited	1,486	0.6%
India Capital Growth Fund Limited	1,043	0.4%
Tarpon All Equities Cayman (Series B) L.P.	966	0.4%
iShares MSCI Poland Capped ETF	947	0.4%
JPMorgan Global Emerging Markets Income Trust PLC	771	0.3%
The Mexico Fund Inc	723	0.3%
Templeton Emerging Markets Investment Trust PLC	664	0.3%
India Capital Growth Fund Limited	101	0.0%
Renaissance Russian Infrastructure Equities Limited	–	0.0%
<b>Total holdings</b>	<b>233,110</b>	<b>99.0%</b>
Cash and other net assets	2,389	1.0%
<b>Total</b>	<b>235,499</b>	<b>100.0%</b>

# Directors' report

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The directors of Advance Developing Markets Fund Limited (the 'Company') present their report and financial statements for the year ended 31 October 2015.

## 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 loss of £20,745,000 (2014: loss of £3,363,000).

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 directors' intention is for the Company to retain its earnings to finance growth for the foreseeable future. The Company's operating revenue loss after taxation for the year amounted to £983,000 (2014: loss of £662,000). The Board therefore 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.

- (a) The Benchmark Index in Sterling terms decreased by 11.4% over the year against a decrease of 8.1% in the Company's Net Asset Value ('NAV') per ordinary share.
- (b) The Company has achieved a NAV return of 70% over a ten year period (this figure incorporates the performance of Advance Developing Markets Trust plc (the Company's predecessor) to provide a ten year comparison). Dividends amounting to, in aggregate, 4.2p per ordinary share were paid over the ten year period. Shareholders also benefitted from a bonus issue of subscription shares in October 2008. The subscription shares had a subscription price of 291p per ordinary share on a one-for-one basis and the undiluted net asset value per ordinary share immediately prior to the final subscription date of 31 October 2011 was 493.8p per ordinary share.

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## 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.

## Directors' report continued

### (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's Compliance Consultant 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 14 to 18.

### 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.

No amount was drawn down from the facility during the period and the Company had no borrowings at 31 October 2015 (2014: 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 2015 the Company had an issued share capital of 51,926,229 ordinary shares (excluding the 2,692,278 ordinary shares held in treasury).

### 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.

## Purchases of own shares

During the year ended 31 October 2015, no purchases of its own ordinary shares were made by the Company. During the year ended 31 October 2014, the Company purchased 12,182,225 of its ordinary shares for cancellation through two tender offers and purchased a further 20,000 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.

## Further share issues and sale of treasury shares

Unless authorised by shareholders, the Company will not issue further ordinary shares or re-sell ordinary shares out of treasury for cash at a price below the prevailing net asset value per ordinary share unless they are first offered pro rata to existing shareholders.

## Significant shareholders

As at 31 October 2015, 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	14,029,857	27.02%
Lazard Asset Management LLC	12,510,787	24.09%
Derbyshire County Council Pension Fund	3,098,250	5.97%
Wells Capital Management Inc	2,718,256	5.23%
1607 Capital Partners	2,369,579	4.56%

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

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 NMPs 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 new 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 NMPs 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 NMPs 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.

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

Aberdeen Emerging Capital Limited which was formerly named Advance Emerging Capital Limited (the 'Investment Manager' or 'AECL') received its authorisation as an Alternative Investment Fund Manager ('AIFM') from the FCA with effect from 1 July 2014 and as of that date AECL became the AIFM of the Company.

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 is included in this Annual Report or is available on the AIFM's website ([aberdeen-emerging-capital.com](http://aberdeen-emerging-capital.com)).

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

The FATCA legislation which has been introduced in the United States places obligations on foreign financial institutions such as the Company. The Company has registered as a reporting financial institution and is subject to ongoing reporting obligations under the legislation.

## Depositary and custody services

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

# Directors' report continued

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### Management

The management of the Company's investments is contracted to Aberdeen Emerging Capital Limited which was formerly named Advance Emerging Capital Limited (the 'Investment Manager' or 'AECL'), which 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.

On 15 September 2015 it was announced that AECL had reached an agreement with Aberdeen Asset Management PLC ('Aberdeen') whereby Aberdeen would acquire 100% ownership of AECL. The transaction completed on 29 December 2015 and on that date Advance Emerging Capital Limited was renamed Aberdeen Emerging Capital Limited.

### 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 AECL 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 AECL, it is in the best interests of shareholders as a whole to continue with AECL's appointment as Investment Manager to the Company.

### Change of Company's name

As reported in the Chairman's Statement, a resolution will be proposed at the Annual General Meeting to change the Company's name to Aberdeen Emerging Markets Investment Company Limited. The resolution will be proposed as a special resolution.

### Company secretary and administrators

Orangefield Legis Fund Services Limited ('Orangefield Legis') is appointed as Administrator and Secretary to the Company. Cavendish Administration Limited ('Cavendish') is appointed by Orangefield Legis to act as administration agent in the United Kingdom. Further details on the fees payable under these agreements can be found in Note 5 to the financial statements. In November 2015, Cavendish Administration Limited was acquired by PraxisIFM Group, an independent, owner-managed, group of companies which provides fund administration and other services to its clients.

### 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 2015.

### 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.

### 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 2015, the Company held £2.0m in cash and £233.1m in investments. It is estimated that approximately 59% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended 31 October 2015 were £3.0m, which represented approximately 1.2% 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 2015 were £236.5m.

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

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 the Annual General Meeting to be held in 2018 (the 'Period'). The directors believe that the Period is an appropriate time horizon over which to assess the viability of the Company as the next continuation vote, as set out in the Company's Articles of Association, will be put forward to shareholders at the conclusion of the Period, and at that time the strategy of the Company will be considered.

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In their assessment of the prospects of the Company, the directors have considered each of the principal risks and uncertainties set out on pages 9 and 10 of this report. The directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements. Portfolio changes and emerging market development are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

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 1 April 2015. 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 14 April 2016. The notice of AGM is included in this document.

### **Corporate governance**

The corporate governance statement on pages 14 to 18 forms part of this report.

### **Statement of directors' responsibilities**

The statement of directors' responsibilities on page 20 forms part of this report.

**John Hawkins**  
Director

**William Collins**  
Director

25 January 2016

# Corporate governance

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

The Board of Advance Developing Markets Fund 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 issued its Code of Corporate Governance (the 'Guernsey Code') in September 2011. 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. All the directors hold their office in accordance with the Company's Articles of Incorporation.

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 will consider these recommendations when reviewing future Board composition.

**Richard Bonsor** (Chairman) (aged 68) – United Kingdom resident – was until his recent retirement 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) – Guernsey 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 66) – 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. He also holds other non-executive directorships of investment funds.

Mr Collins holds other public company directorships in Crystal Amber Fund Limited and Dexion Absolute Limited.

**Mark Hadsley-Chaplin** (aged 54) – 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 holds one other public company directorship in Aberdeen Asian Smaller Companies Investment Trust PLC.



**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 focussed 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 is independent, in accordance with principle 1 of the AIC Code. Mr Bonsor has extensive knowledge of the investment management industry and his background provides the foundation for his role as Chairman and the basis on which to make judgements as head of the Board, on behalf of shareholders.

Mr Hawkins is currently appointed as Deputy Chairman. Like the Chairman, Mr Hawkins has many years of experience within the asset management sector. Mr Hawkins is available as an alternative point of contact for shareholders. He also acts as an intermediary for fellow board members and is able to lead the annual evaluation of the Chairman.

Mr Hawkins is a director of Aberdeen Greater China Fund Inc and Mr Hadsley-Chaplin is a director of Aberdeen Asian Smaller Companies Investment Trust PLC which are also managed by Aberdeen Asset Management plc. Mr Hawkins and Mr Hadsley-Chaplin are now therefore considered to be non-independent. All other directors are entirely independent of the Investment Manager.

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 2015 and at the date of this report the directors had the following shareholdings in the Company.

	Ordinary shares At 31 October 2015 and at the date of this report	Ordinary shares At 31 October 2014
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	–	–

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 during 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	0/1	n/a	0/1	0/1
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	1/1	3/3	1/1	1/1
T Mahony	3/4	0/1	2/3	0/1	0/1

In addition there were 3 Board meetings to deal with matters relating to the change of ownership of the investment manager and the formal approval of documents.

# Corporate governance continued

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### 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. Mr Collins and Mr Mahony will retire and put themselves forward for re-election at the Annual General Meeting.

As required by the listing rules of the London Stock Exchange, Mr Hawkins and Mr Hadsley-Chaplin will put themselves forward for re-election as they are directors of other funds managed by Aberdeen Asset Management plc.

The Board has reviewed the contributions made by Mr Collins, Mr Hawkins, Mr Hadsley-Chaplin and Mr Mahony 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 19 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.

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.

#### Nomination Committee

The Company has established a Nomination Committee, which at the year end comprised Mr Bonsor, Mr Collins, Mr Hawkins and Mr Mahony. 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.

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 comprises Mr Bonsor, Mr Hadsley-Chaplin, Mr Hawkins and Mr Mahony. 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 2015 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.

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## 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.

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 accounts is on page 20 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 Corporate 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.

# Corporate governance continued

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### 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, however, 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 or Deputy 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.

# Report of the Audit Committee

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## Role, composition and meetings

The Company has established an Audit Committee, which comprises Mr Hawkins, Mr Mahony and Mr Collins. The Audit Committee meets at a minimum 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.

Mr Hawkins was the Chairman of the Audit Committee throughout the year ended 31 October 2015. All members of the Audit Committee have recent and relevant financial experience.

In the year ended 31 October 2015 there were three meetings of the Audit Committee. Mr Hawkins and Mr Collins attended all of these meetings and Mr Mahony attended two of these meetings. 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 2015.

Due to becoming a non-independent director, as a result of the acquisition of the Investment Manager by Aberdeen Asset Management plc, Mr Hawkins will retire as Chairman of the Audit Committee with effect from the date of approval of these accounts and Mr Collins has been appointed as Chairman of the Audit Committee in his place. Mr Hawkins remains a member of the Audit Committee.

## 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 2015.

### 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 2015, investments represented approximately 98.9% 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 2015. 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. The Company has not conducted an audit tender since that time.

## 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 2015 there were no non-audit services provided, other than reporting on the Company's half year financial statements.

**John Hawkins**  
Audit Committee Chairman

# 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 as issued by the International Accounting Standards Board ('IASB') 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 maintenance and integrity of the Aberdeen Emerging Capital Limited (formerly named Advance Emerging Capital Limited) website is the responsibility of their directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

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 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 as issued by the IASB, 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.

**John Hawkins**  
Director

**William Collins**  
Director

25 January 2016

# Directors' remuneration report

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

## Policy on directors' fees

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 year ending 31 October 2015 and for subsequent years.

The maximum amount currently payable in aggregate to the directors is £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 2015.

## 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.

## Directors' emoluments for the year

Fees payable during the year were at a rate of £27,500 per annum for the Chairman, £25,000 per annum for the Deputy Chairman and £22,500 per annum for the other directors.

During the year ended 31 October 2015, the following additional fees were payable 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 paid in the year ended 31 October 2015 to the directors who served during that year:

	Fees 2015 £'000	Fees 2014 £'000
Richard Bonsor (Chairman)	37.5	27.5
John Hawkins (Deputy Chairman)	37.5	25.0
Terence Mahony	32.5	22.5
Mark Hadsley-Chaplin	32.5	22.5
William Collins	32.5	22.5
	<b>172.5</b>	<b>120.0</b>

# Depository report

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Northern Trust (Guernsey) Limited (the 'Depository') has been appointed to provide depository services to Advance Developing Markets Fund 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 which was formerly named Advance Emerging Capital Limited (the 'AIFM') for the year ended 31 October 2015, 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 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

25 January 2016



# Independent auditor's report

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## Opinions and conclusions arising from our audit

### Opinion on financial statements

We have audited the financial statements of Advance Developing Market Fund Limited (the 'Company') for the year ended 31 October 2015, 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') as issued by the International Accounting Standards Board ('IASB'). In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2015 and of its total comprehensive income for the year then ended;
- have been properly prepared in accordance with IFRS as issued by the IASB; 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 (£233,110,000)

Refer to page 19 of the Report of the Audit Committee, notes 2(g), 3(a), 10 and 17.

- **The risk** – The incorrect valuation of investments. The valuation of the Company's quoted and unquoted investments are a significant area of our audit as those investments represent the majority (99.0%) of the Company's net assets. Of that balance, 30.4% (£70,874,000) are unquoted or in an inactive market and are subject to estimation risk.
- **Our response** – Our audit procedures with respect to the Company's investments that were either unquoted or not in an active market included, but were not limited to: testing the design and implementation of the Investment Manager's oversight controls of the underlying funds' administrators; obtaining net asset value per share confirmations directly from the underlying funds' administrators; and reviewing 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.

Our audit procedures with respect to the Company's investments that were quoted or in an active market included, but were not limited to, agreeing the fair value used in the financial statements to a third-party pricing service provider.

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 as issued by the IASB.

### 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 £6,660,000. 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 £330,000, 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.

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.

# Independent auditor's report continued

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 pages 12 and 13, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company continuing in operation until the Annual General Meeting to be held in 2018; 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) ('ISA (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 14 to 18 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 20, 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 ISA (UK&I). Those standards require us to comply with the UK Ethical Standards for Auditors.

### Steven D. Stormonth

For and on behalf of

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

25 January 2016

## Statement of comprehensive income

	Note	Year ended 31 October 2015			Year ended 31 October 2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments designated as fair value through profit or loss	12	–	(19,622)	(19,622)	–	(2,525)	(2,525)
Capital losses on currency movements		–	(140)	(140)	–	(176)	(176)
<b>Net investment losses</b>		<b>–</b>	<b>(19,762)</b>	<b>(19,762)</b>	<b>–</b>	<b>(2,701)</b>	<b>(2,701)</b>
Investment income	4	2,243	–	2,243	2,608	–	2,608
		<b>2,243</b>	<b>(19,762)</b>	<b>(17,519)</b>	<b>2,608</b>	<b>(2,701)</b>	<b>(93)</b>
Investment management fees	5	(2,252)	–	(2,252)	(2,315)	–	(2,315)
Other expenses	5	(745)	–	(745)	(665)	–	(665)
<b>Operating loss before finance costs and taxation</b>		<b>(754)</b>	<b>(19,762)</b>	<b>(20,516)</b>	<b>(372)</b>	<b>(2,701)</b>	<b>(3,073)</b>
Finance costs	8	(41)	–	(41)	(19)	–	(19)
<b>Operating loss before taxation</b>		<b>(795)</b>	<b>(19,762)</b>	<b>(20,557)</b>	<b>(391)</b>	<b>(2,701)</b>	<b>(3,092)</b>
Withholding tax expense		(188)	–	(188)	(271)	–	(271)
<b>Total comprehensive income for the year</b>		<b>(983)</b>	<b>(19,762)</b>	<b>(20,745)</b>	<b>(662)</b>	<b>(2,701)</b>	<b>(3,363)</b>
<b>Earnings per ordinary share</b>	9						
– Basic and diluted		(1.89p)	(38.06p)	(39.95p)	(1.17p)	(4.80p)	(5.97p)

The Company does not have any income or expenses that are not included in the loss for the year and therefore the 'loss for the year' is also the 'Total comprehensive income for the year', as defined in International Accounting Standard 1 (revised).

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 31 October 2015 £'000	As at 31 October 2014 £'000
<b>Non-current assets</b>			
Investments designated as fair value through profit or loss	10	233,110	254,386
<b>Current assets</b>			
Cash and cash equivalents		1,996	2,018
Sales for future settlement		573	–
Other receivables		116	148
		<b>2,685</b>	<b>2,166</b>
<b>Total assets</b>		<b>235,795</b>	<b>256,552</b>
<b>Current liabilities</b>			
Purchases for future settlement		53	–
Other payables		243	308
<b>Total liabilities</b>		<b>296</b>	<b>308</b>
<b>Net assets</b>		<b>235,499</b>	<b>256,244</b>
<b>Equity</b>			
Share capital	11	187,725	187,725
Capital reserve	12	54,245	74,007
Revenue reserve		(6,471)	(5,488)
<b>Total equity</b>		<b>235,499</b>	<b>256,244</b>
Net assets per ordinary share	13	453.53p	493.48p
Number of ordinary shares in issue (excluding shares held in treasury)		51,926,229	51,926,229

Approved by the Board of Directors on 25 January 2016 and signed on their behalf by:

**John Hawkins**  
Director

**William Collins**  
Director

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

# Statement of changes in equity

	Share capital account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 October 2015</b>				
Opening equity	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>

	Share capital account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 October 2014</b>				
Opening equity	245,381	76,708	(4,826)	317,263
Tender offer	(57,576)	–	–	(57,576)
Other share buy backs	(80)	–	–	(80)
Loss for the year	–	(2,701)	(662)	(3,363)
<b>Balance at 31 October 2014</b>	<b>187,725</b>	<b>74,007</b>	<b>(5,488)</b>	<b>256,244</b>

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

## Statement of cash flow

	Note	Year ended 31 October 2015 £'000	Year ended 31 October 2014 £'000
<b>Cash flows from operating activities</b>			
Cash inflow from investment income and bank interest		2,238	2,559
Cash outflow from management expenses		(3,027)	(2,903)
Cash inflow from disposal of investments		98,887	119,981
Cash outflow from purchase of investments		(97,754)	(64,911)
Cash outflow from taxation		(188)	(271)
<b>Net cash flow from operating activities</b>	14	<b>156</b>	<b>54,455</b>
<b>Cash flows from financing activities</b>			
Borrowing commitment fee and interest charges		(41)	(19)
Share buy backs/Tender offer		-	(57,656)
<b>Net cash flow used in financing activities</b>		<b>(41)</b>	<b>(57,675)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>115</b>	<b>(3,220)</b>
Opening balance		2,018	5,413
Cash flow		115	(3,220)
Effect of foreign exchange		(137)	(175)
<b>Balance at 31 October</b>		<b>1,996</b>	<b>2,018</b>

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

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 ordinary shares hold a premium listing on the London Stock Exchange. The financial statements of the Company are presented for the year ended 31 October 2015.

The Company invests in a portfolio of funds and products which give diversified exposure to developing and emerging market economies. 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: NDUUEGF Index) (the 'Benchmark').

The investment activities of the Company are managed by Aberdeen Emerging Capital Limited which was formerly named Advance Emerging Capital Limited ('AECL').

This report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. It will also be available in electronic form on the Investment Manager's website, [aberdeen-emerging-capital.com](http://aberdeen-emerging-capital.com).

## 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') issued by the International Accounting Standards Board ('IASB') 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 2015.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('AIC') in January 2009 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 25 January 2016.

### (b) Going concern

The directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the directors' assessment of the going concern status of the Company.

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 2015, the Company held £2.0m in cash and £233.1m in investments. It is estimated that approximately 59% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended 31 October 2015 were £3.0m, which represented approximately 1.2% of average net assets during the year. The Company therefore has substantial operating expense cover. The Company's net assets at 31 December 2015 were £236.5m.

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.

### (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.

# Notes to the financial statements continued

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## 2 Basis of preparation (continued)

### (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);

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.

## 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;



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### 3 Significant accounting policies (continued)

(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; and

(v) any other investments are valued at the directors' best estimate of fair value.

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 'Capital 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.

#### (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.

# Notes to the financial statements continued

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### 3 Significant accounting policies (continued)

#### (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. Effective 1 January 2015, the annual exemption fee is £1,200 (2014: £600).

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

The Company has adopted IFRS 8, 'Operating segments'. This standard 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.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014.

##### **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27 (2012)) (the amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2014. The directors have concluded that the Company meets the definition of an investment entity. The Company has no subsidiaries; therefore, the adoption of the amendments did not have an impact on the Company's financial statements.

##### **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)**

The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The adoption of the amendments to IAS 32 did not have a material impact on the financial statements of the Company.

### 3 Significant accounting policies (continued)

#### (m) New standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

#### IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together, IFRS 9)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional disclosures relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

The IFRS 9 (2014) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. The standard also replaces the incurred loss model in IAS 39 with an expected credit loss model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, early application of IFRS 9 is permitted.

Based on the initial assessment, the standard is not expected to have a material impact on the Company's financial statements.

### 4 Investment income

	2015 £'000	2014 £'000
<b>Income from investments</b>		
Dividend income	2,243	2,608

### 5 Investment management fees and other expenses

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	2,287	–	2,287	2,365	–	2,365
– management fee rebate	(35)	–	(35)	(50)	–	(50)
	<b>2,252</b>	<b>–</b>	<b>2,252</b>	<b>2,315</b>	<b>–</b>	<b>2,315</b>
Administration fees	175	–	175	194	–	194
Depositary and custody service fees	100	–	100	58	–	58
Registration fees	18	–	18	17	–	17
Directors' fees	173	–	173	120	–	120
Auditor's fees	52	–	52	52	–	52
Marketing fees	31	–	31	32	–	32
Broker fees	40	–	40	40	–	40
Other expenses	156	–	156	152	–	152
<b>Total other expenses</b>	<b>745</b>	<b>–</b>	<b>745</b>	<b>665</b>	<b>–</b>	<b>665</b>
<b>Total expenses</b>	<b>2,997</b>	<b>–</b>	<b>2,997</b>	<b>2,980</b>	<b>–</b>	<b>2,980</b>

# Notes to the financial statements continued

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

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.

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: NDUUEGF Index) has increased or reduced over the Relevant Period.

For the year ended 31 October 2015 the Base NAV per share was 493.48p (2014: 494.73p). 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. 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 (2014: 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 (2014: nil).

Orangefield Legis Fund Services Limited ('Orangefield Legis') is appointed as Administrator and Secretary to the Company. Orangefield Legis 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.

Cavendish Administration Limited ('Cavendish') is appointed by Orangefield Legis to act as administration agent in the United Kingdom. Cavendish 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 2015 of £134,650 (2014: £131,620) 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 2015, calculated using the Association of Investment Companies methodology were 1.20% (2014: 1.12%).

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## 6 Directors' fees

The fees payable for the year were £172,500 (2014: £120,000). There were no other emoluments. Full details of the fees of each director are given in the Directors' Remuneration Report on page 21.

## 7 Transaction charges

	2015 £'000	2014 £'000
Transaction costs on purchases of investments	169	115
Transaction costs on sales of investments	108	141
<b>Total transaction costs included in losses on investments designated as fair value through profit or loss</b>	<b>277</b>	<b>256</b>

## 8 Finance costs

	2015 £'000	2014 £'000
Interest payable	26	4
Facility and arrangement fees and other charges	15	15
<b>Total finance costs</b>	<b>41</b>	<b>19</b>

### Until 1 August 2014

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

### From 1 August 2014

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 2015 (2014: nil).

## 9 Earnings per share

Earnings per share is based on the total comprehensive income for the year ended 31 October 2015, being a loss of £20,745,000 (2014: loss of £3,363,000) attributable to the weighted average of 51,926,229 (2014: 56,288,614) ordinary shares in issue (excluding shares held in treasury) in the year ended 31 October 2015.

Supplementary information is provided as follows: revenue per share is based on the net revenue loss of £983,000 (2014: loss £662,000) and capital earnings per share is based on the net capital loss of £19,762,000 (2014: loss of £2,701,000) attributable to the above ordinary shares.

## Notes to the financial statements continued

### 10 Investments

	2015 £'000	2014 £'000
Quoted & listed closed ended fund investments	196,510	160,806
Open ended fund and limited liability partnership investments	36,600	93,580
<b>Total fixed asset investments at fair value</b>	<b>233,110</b>	<b>254,386</b>
Movement during the year:		
Opening balance of investments, at cost	229,129	278,749
Additions, at fair value	97,807	64,911
Disposals, at book cost	(83,248)	(114,531)
<b>Cost of investments at 31 October</b>	<b>243,688</b>	<b>229,129</b>
<b>Revaluation of investments to fair value</b>		
Opening balance	25,257	30,948
Net movement*	(35,835)	(5,691)
<b>Balance at 31 October</b>	<b>(10,578)</b>	<b>25,257</b>
<b>Fair value of investments at 31 October</b>	<b>233,110</b>	<b>254,386</b>

Transaction costs on investments are disclosed in note 7.

\*See note 12.

### 11 Share capital

	As at 31 October 2015		As at 31 October 2014	
	Nominal value £'000	Number of shares	Nominal value £'000	Number 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 2,692,278 ordinary shares were held in treasury.

#### Share capital account

The aggregate balance (including share premium) standing to the credit of the share capital account at 31 October 2015 was £187,725,000 (2014: £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

	2015 £'000	2014 £'000
<b>Disposal of investments</b>		
Opening balance	48,750	45,760
Gains from disposal of investments*	16,213	3,166
Foreign exchange losses	(140)	(176)
<b>Balance at 31 October</b>	<b>64,823</b>	<b>48,750</b>
<b>Investments held</b>		
Opening balance	25,257	30,948
Movement on valuation of investments held*	(35,835)	(5,691)
<b>Balance at 31 October</b>	<b>(10,578)</b>	<b>25,257</b>
<b>Capital reserve balance at 31 October</b>	<b>54,245</b>	<b>74,007</b>

\*Losses on investments designated as fair value through profit or loss figure for the year ended 31 October 2015 was a loss of £19,622,000 (2014: loss of £2,525,000).

## 13 Net asset value per share

Net assets per share is based on net assets of £235,499,000 (2014: £256,244,000) divided by 51,926,229 (2014: 51,926,229) shares (excluding shares held in treasury) in issue at the Statement of Financial Position date.

## 14 Reconciliation of operating loss to net cash flow from operating activities

	2015 £'000	2014 £'000
Operating loss before finance costs and taxation	(20,516)	(3,073)
Less: Tax deducted at source on income from investments	(188)	(271)
Add: Realisation of investments at book cost	83,248	114,531
Less: Purchase of investments	(97,807)	(64,911)
Less: Adjustment for unrealised losses	35,835	5,691
Effect of foreign exchange transactions	137	176
(Increase)/decrease in debtors	(541)	2,318
Decrease in creditors	(12)	(6)
<b>Net cash inflow from operating activities</b>	<b>156</b>	<b>54,455</b>

# Notes to the financial statements continued

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## 15 Related party disclosures

### Investment Manager

Aberdeen Emerging Capital Limited which was formerly named Advance Emerging Capital Limited ('AECL' or the 'Investment Manager') has been appointed as the Company's investment manager. Details of its fee and agreement are provided in note 5.

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. No performance fee accrual has been included (2014: £nil).

A director of AECL has a direct interest in 3,635 (2014: 3,635) ordinary shares in the Company. The investment management team at AECL has, in aggregate, direct or indirect interests in 7,644 (2014: 7,644) ordinary shares in the Company.

### Advance Brazil Leblon Equities Fund

As at 31 October 2015 the Company held an investment with a valuation of £4,416,726 (2014: £8,531,098) in Advance Brazil Leblon Equities Fund ('ABLE'), a fund established by AECL to invest in domestic growth opportunities within Brazil. Leblon Equities Gestao de Recursos, a locally based investment manager with a highly experienced team, has been appointed as sub investment manager to run the portfolio on a day-to-day basis. The launch of this fund was a means to circumvent the lack of closed ended products or appropriately structured open ended vehicles in this highly attractive market. The Company's shareholders benefit from significantly reduced management and performance fees on the investment and no double fees are charged by AECL. A rebate on management fees charged by ABLE equivalent to £34,560 (2014: £49,686) was payable to the Company in the year ended 31 October 2015.

### Funds held at 31 October 2015 which are managed by Aberdeen Asset Management plc

As at 31 October 2015, 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 2015 can be found in the Investments table on page 7. During the year ended 31 October 2015, there were no fee rebates from investments held in funds managed by Aberdeen Asset Management plc.

Details of the directors' contracts and fees are provided in the Directors' Remuneration Report on page 21. Total fees for the directors in the year ended 31 October 2015 were £172,500 (2014: £120,000). Of this amount £172,500 (2014: £120,000) had been paid at the year end, with an accrual of £nil (2014: £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 £1,383,000 (2014: £1,742,000) 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 2015 (2014: 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

The investment portfolio shown on page 7 and 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:

	2015				2014			
	Cash flow interest rate risk £'000	No interest rate risk £'000	Total £'000	% of net assets	Cash flow interest rate risk £'000	No interest rate risk £'000	Total £'000	% of net assets
<b>Non-current asset investments at fair value</b>								
EUR denominated	–	–	–	0.0%	–	439	439	0.2%
GBP denominated	–	94,763	94,763	40.2%	–	79,732	79,732	31.1%
USD denominated	–	138,347	138,347	58.8%	–	174,215	174,215	68.0%
Cash at bank								
Floating rate – GBP	232	–	232	0.1%	574	–	574	0.2%
Floating rate – USD	1,764	–	1,764	0.7%	1,444	–	1,444	0.5%
Short term debtors	–	689	689	0.3%	–	148	148	0.1%
Short term creditors	–	(296)	(296)	(0.1%)	–	(308)	(308)	(0.1%)
	<b>1,996</b>	<b>233,503</b>	<b>235,499</b>	<b>100%</b>	<b>2,018</b>	<b>254,226</b>	<b>256,244</b>	<b>100%</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. A breakdown of the Company's asset allocation as at 31 October 2015 can be seen on page 6.

#### 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 £23,311,000 (2014: £25,439,000) in the investments designated as fair value through profit or loss at the Statement of Financial Position date, equivalent to 9.9% (2014: 9.9%) of the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

#### Market concentration

At 31 October 2015, the largest five country concentrations on a look through basis were as follows:

Country	% of net assets
China	21.9
Korea	17.7
India	10.9
Taiwan	8.6
Russia	5.2

#### 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 2015, the Company held 11.7%, by value, of Advance Umbrella Fund ('AUF') through investing in Advance Brazil Leblon Fund ('ABLE') which is a sub fund of AUF. The Investment Manager does not consider that the size of the Company's holding in AUF or ABLE would result in significant liquidity constraints when realising this investment. Tarpon All Equities holds side pockets within private equity structures which were valued at £1.0m at 31 October 2015.

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	59%
Three months	79%
One year	94%
Three years	100%

The Company had £53,000 (2014: £nil) purchase transactions and £573,000 (2014: £nil) 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 2015 included £1,816,000 (2014: £1,920,000) 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	Finch Ratings
Individual rating	–	–	B
Short-term deposit/debt	A-1	P-1	F1+
Long-term deposit/debt	A+	A2	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 2015 there were 51,926,229 (2014: 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 per cent. 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 2015. 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 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 2015 is detailed in the table below:

	2015 £'000	2014 £'000
Level 1	162,236	186,891
Level 2	69,908	65,754
Level 3	966	1,741
<b>Total</b>	<b>233,110</b>	<b>254,386</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)

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 All Equities 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 Tarpon All Equities Cayman (Series B) L.P. 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 2015 is shown below:

	2015 £'000	2014 £'000
<b>Opening balance</b>	<b>1,741</b>	<b>1,805</b>
Additions during the year	–	28
Disposals during the year	(26)	–
Profit or loss on disposals during the year	26	–
Valuation adjustments	(775)	(92)
<b>Closing balance at 31 October</b>	<b>966</b>	<b>1,741</b>
Total gains and losses for the year included in profit or loss relating to assets held at the end of the year	(775)	(92)

Renaissance Russia Infrastructure Equities Limited was transferred from level 2 to level 3 during the year ended 31 October 2014 as a result of that investment entering liquidation. The liquidation of Impax Asian Environmental Markets PLC completed during the year ended 31 October 2015 and, as a consequence, the holding has been removed from the Company's portfolio.

### 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 £'000	Weighted average fair value £'000	Investment at fair value £'000	% of total net assets of underlying funds
Equity long-only	15	0-13,014	7,328	79,732	4.4

### 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. Details of the portfolio's asset allocation can be found on page 6. Any significant change to the Company's investment strategy requires shareholder approval.

The Company has a diversified portfolio of investments and as disclosed on page 7 no single investment accounted for more than 7% 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 accounted for 15% of the total investment income receivable in the year.

At its financial year end, the Company had 335 registered shareholders. At 31 October 2015 there were two shareholders who each held more than 10% of the issued share capital and their holdings were 28% (2014: 26%) and 24% (2014: 24%) 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 the distribution could be several years away. Therefore, no amount has been recognised in these accounts as at 31 October 2015 (2014: £nil).

### 20 Post balance sheet events

There are no post balance sheet events at the date of this Annual Report other than as disclosed.

On 29 December 2015, the Company's investment manager, Advance Emerging Capital Limited, was acquired by Aberdeen Asset Management plc and renamed Aberdeen Emerging Capital Limited.

On 25 November 2015, the Company's UK administration agent, Cavendish Administration Limited, was acquired by PraxisIFM Group.

In January 2016, the Company's Financial Adviser and Stockbroker, Westhouse Securities Limited changed its name to Stockdale Securities Limited.

# Notice of Annual General Meeting

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Notice is hereby given that an Annual General Meeting of the Company will be held at 11 New Street, St Peter Port, Guernsey at 11.00 a.m. on 14 April 2016 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 to 9 will be proposed as ordinary resolutions. Resolution 10 will be proposed as a special resolution.

## Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 31 October 2015, with the reports of the directors and auditors thereon.
2. To approve the Directors' Remuneration Report included in the annual report for the year ended 31 October 2015.
3. To re-elect William Collins as a director of the Company.
4. To re-elect Mark Hadsley-Chaplin as a director of the Company.
5. To re-elect John Hawkins as a director of the Company.
6. To re-elect Terence Mahony as a director of the Company.
7. 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.
8. To authorise the directors to determine KPMG Channel Islands Limited's remuneration as auditor of the Company.

9. 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 2017 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.

## Special resolution

10. To approve that the Company's name be changed to Aberdeen Emerging Markets Investment Company Limited.

By the order of the Board

Orangefield Legis Fund Services Limited

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

25 January 2016

## Notice of Annual General Meeting continued

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### 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, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 11.00 a.m., on 12 April 2016 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 11.00 a.m. on 12 April 2016.

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

## Advance Developing Markets Fund Limited

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

being (a) member(s) of Advance Developing Markets Fund 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 14 April 2016 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 2015, 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 for the year ended 31 October 2015.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect William Collins as a director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mark Hadsley-Chaplin 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-elect Terence Mahony as a director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint KPMG Channel Islands Limited as auditor to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. 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"/>
9. To give the Company the authority to purchase its own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To approve that the Company's name be changed to Aberdeen Emerging Markets Investment Company Limited.	<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 \_\_\_\_\_ 2016

## 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, 34 Beckenham Road, Beckenham, BR3 4TU, so as to arrive before 11.00 a.m. on 12 April 2016 (48 hours prior to the Annual General Meeting).

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# Directors, Investment Manager and advisers

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## Directors

Mr AR Bonsor (Chairman)  
Mr WN Collins  
Mr MR Hadsley-Chaplin  
Mr JA Hawkins  
Mr TF Mahony

## Secretary and administrator

Orangefield Legis Fund Services 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

## Auditor

KPMG Channel Islands Limited  
Gategny Court  
Gategny 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

## Investment manager

Aberdeen Emerging Capital Limited  
(formerly Advance Emerging Capital Limited)  
Bow Bells House  
1 Bread Street  
London EC4M 9HH  
Telephone: +44 (0)20 7618 1440  
aberdeen-emerging-capital.com

## UK administration agent

Cavendish Administration Limited  
145-157 St John Street  
London EC1V 4RU

## Advisers as to Guernsey law

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

## Solicitors as to English law

Wragge Lawrence Graham & Co  
4 More London Riverside  
London SE1 2AU  
  
Herbert Smith Freehills LLP  
Exchange House  
Primrose Street  
London EC2A 2EG

## Depositary services and custodian

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

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\*Incorporated in Guernsey with registered number 50900

**Aberdeen Emerging Capital Limited**  
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