



# Baring German Growth Trust

Interim Report & Unaudited Financial Statements

for the six months ended 15 November 2006





## Contents

---

	<b>Page</b>
Management and professional service details* .....	2
Introduction* .....	3
Constitution* .....	3
Regulatory disclosure* .....	3
General information for Overseas Investors (Austria, Germany and Switzerland)* .....	5
Investment objective and policy* .....	7
Report of the Managers* .....	7
Directors' statement.....	9
Performance record* .....	11
Statement of total return .....	12
Statement of change in unitholders' net assets.....	12
Portfolio statement.....	13
Balance sheet.....	17
Summary of material portfolio changes .....	18
Notes to the financial statements (including the Total Expense Ratio or "TER" - page 26).....	19
Other funds and services.....	27

\*Collectively, these comprise the Managers' Report

## Managers

---

### **Baring Fund Managers Limited**

(Authorised and regulated by the Financial Services Authority)

## Directors

---

W.P. Savage (*Chief Executive*)

G.H. Harvey

I.A. Pascal

## Registered Office

---

155 Bishopsgate

London EC2M 3XY

Telephone: 020-7628 6000

## Trustee

---

The Royal Bank of Scotland plc

Trustee & Depositary Services

1st Floor, Waterhouse Square

138-142 Holborn

London EC1N 2TH

(The Royal Bank of Scotland plc is authorised and regulated by the Financial Services Authority)

## Registrars

---

Northern Trust International Fund Administration Services (UK) Limited

P.O. Box 55736

50 Bank Street

Canary Wharf

London E14 1BT

Telephone: 0870-870 8450

Fax: 020-7982 3924

## Independent Auditors

---

PricewaterhouseCoopers LLP

Southwark Towers

32 London Bridge Street

London SE1 9SY

Telephone calls may be recorded and monitored. Maximum call charge to 087 numbers is 8p per min from a BT line, other networks may vary.

## Introduction

As an investor in Baring German Growth Trust, your money is pooled with that of other investors and invested by Baring Asset Management Limited in the shares of selected companies in Germany. The objective of the Trust is to achieve long-term capital growth. The Trust does not create significant levels of income but any income generated is accumulated in the Trust and reflected in the price of units. This gives investors the opportunity of participating fully in the anticipated growth of favoured German stocks. As with all Trusts managed by Baring Fund Managers Limited, the risk assumed in this portfolio is carefully monitored.

The Report of the Managers reviews the performance of the Trust against the returns of the stockmarket in which it is investing and analyses the investment environment that influenced the performance of the Trust over the period under review. The Managers then give their outlook for the market and detail how the Trust will be invested in order to take full advantage of the opportunities we foresee. Finally the Report of the Managers gives details of any income generated by the Trust.

## Constitution

Baring German Growth Trust ("the Trust") is constituted by a Trust Deed dated 12 April, 2002 between Baring Fund Managers Limited ("the Managers") and The Royal Bank of Scotland plc ("the Trustee").

## Regulatory Disclosure

This document has been issued by Baring Fund Managers Limited {authorised and regulated by the Financial Services Authority ("FSA")}.

A New Financial Services Authority Collective Investment Scheme Sourcebook has been introduced. Until 1 November 2006, the Scheme was managed under the FSA Collective Investment Schemes Sourcebook ("CIS Sourcebook"). From this date, the FSA New Collective Investment Schemes Sourcebook ("COLL Sourcebook") was adopted. Throughout the following statements, reference to "the Sourcebook" refer to the CIS Sourcebook for periods up to 31 October 2006, and the COLL Sourcebook thereafter.

The Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a Securities Scheme within the meaning of the Financial Services Authority's New Collective Investment Schemes Sourcebook.

Past performance is not necessarily a guide to future performance. The value of units can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of units to fluctuate. Any references in this report to other investments held within a unit trust should not be read as a recommendation to the investor to buy and sell the same, but are included as illustration only.

## The Trust at a glance on 15 November 2006

Average Annual Performance of Trust since launch:	12.97%*
Total Trust Size:	£212.2 million
Charges: Initial	5%
Annual	1.5%
Annualised Net Yield:	Nil
Minimum Investment: Initial	£1,000
Subsequent	£500
Accumulation available per unit:	Nil (Income deficit carried forward)

Price per Unit	Mid price
Accumulation units	289.44p

\*Source: Standard & Poor's Limited. Percentage performance to 15 November 2006, bid-to-bid basis with net income reinvested.

## Income Allocations and Reports

The Annual Report and Financial statements will be forwarded to unitholders on 24 July, the annual income allocation date together, where applicable, with a tax voucher. A Half-Yearly Report and Financial Statements will be issued each year on 15 January.

## Prospectus and Managers' Reports

Copies of the Prospectus, Simplified Prospectus and the most recent Annual or Half-Yearly Report and Financial Statements are available to all persons free of charge from Baring Fund Managers Limited upon request. Copies of the Prospectus, Simplified Prospectus and Report and Financial Statements are also available in French and German.

## Soft Commission Arrangements

The Managers have delegated to its associate, Baring Asset Management Limited (authorised and regulated by the Financial Services Authority), the 'day-to-day' investment management of the property of the Trust. Baring Asset Management Limited is responsible for the selection of brokers with whom it deals and, in some instances, has entered into soft commission arrangements with these brokers whereby Baring Asset Management Limited obtains services or benefits from third parties which are paid for by the brokers out of the commissions they receive. Such services or benefits relate primarily to performance measurement, valuation and research services. Baring Asset Management Limited is satisfied that bargains generating soft commission comply with the requirements for best execution both as to price and settlement.

## Market Timing

Repeatedly purchasing and selling units in the Trust in response to short-term market fluctuations - known as 'market timing' - can disrupt the Managers' investment strategy and increase the Trust's expenses to the prejudice of all unitholders. The Trust is not intended for market timing or excessive trading. To deter these activities, the Managers may refuse to accept an application for units from persons that they reasonably believe are engaged in market timing or are otherwise excessive or potentially disruptive to the Trust.

The Managers also reserve the right to redeem units which they reasonably believe have been purchased by unitholders engaged in market timing.

## Publication of Prices

The most recent issue and redemption prices are published daily in the Financial Times, the South China Morning Post, the Hong Kong Economic Journal, the Börsen-Zeitung, Der Standard, Neue Zürcher Zeitung and on a weekly basis in La Tribune. The units in the Scheme are not listed or dealt on any investment exchange.

In addition, the prices are available on the Baring website at [www.barings.com](http://www.barings.com)

## Dealing Basis

The Managers' basis for dealing in purchases and sales of the Trust's units is 'forward'. This means that the price used for any deal will be that calculated at the next valuation point following receipt of the investor's instruction.

## European Union Taxation of Savings Income Directive

On 3 June 2003 the European Commission published a new directive regarding the taxation of savings income ('the Directive'). From 1 July 2005 Member States are required to provide to the tax authorities of another Member State details of payments of interest (which may include distributions and realisation payments by collective investment funds) or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system in relation to such payments.

Accordingly, the Custodian, Administrator, paying agent or such other entity considered a "paying agent" (for the purposes of the Directive a "paying agent" is the economic operator who pays interest to or secures the payment of interest for the immediate benefit of the beneficial owner) for the purposes of the Directive may be required to disclose details of or withhold tax on distributions and/or realisation payments by the Trust to unitholders who are individuals or residual entities (located in another EU Member State) to the taxation authority in the home jurisdiction of the paying agent who will pass such details or tax to the Member State where the investor resides.

As the UK has opted for exchange of information rather than a withholding tax system, the principal consequence for unitholders is that details of relevant savings income will be disclosed to the EU member states in which unitholders are resident. The Directive has now been enacted into UK legislation and the reporting of any relevant payments of interest made by the Trust, together with various specified information relating to recipients who are individuals or residual entities resident in EU states other than the UK, applied 1 July 2005.

On the basis of UK regulations as at 15 November 2006, the Trust is deemed to be out of scope of the Directive and therefore no reporting of distributions or redemption proceeds will apply. This is because at 15 November 2006 less than 15% of the Trust's assets were invested in interest bearing securities (which includes bank deposits). Under UK regulations the Trust will remain out of scope of the Directive at least until the next set of audited accounts is published.

## Fees and Expenses

From 1 July 2005, the basis of the calculation of the Managers' Periodic Charge changed. The Managers' Periodic Charge is calculated daily, on each business day, based on the value of the Property of the Trust on the immediately preceding business day and is paid to the Managers monthly in arrears, on the first business day of the calendar month immediately following. The current periodic charge is not changing and remains at 1.50% per annum.

## General Information for Overseas Investors (Austria, Germany and Switzerland)

### Austrian Paying Agent

Bank Austria Creditanstalt AG  
Am Hof 2  
1010 Vienna  
Austria

### German Paying and Information Agent

Deutsche Bank AG  
Taufhausanlage 12  
60325 Frankfurt am Main  
Germany

The full and the Simplified Prospectus, a list of portfolio changes, the Trust Deed, the annual and the semi-annual reports are available free of charge in hard copy at the German Paying and Information Agent's office. The Net Asset Value per unit, the issue and redemption prices as well as any notices to unitholders may be obtained at the German Paying and Information Agent on each bank business day in Frankfurt am Main, Germany. All information available to Trust unitholders at the main office is also available through the German Paying and Information Agent's office.

## **Notice for German Investors**

### **Special risks resulting from additional German tax publication requirements in Germany**

A foreign investment company (such as the Managers) must provide documentation to the German fiscal authorities upon request e.g. in order to verify the accuracy of the additional German published tax information. German investors will use this for their tax returns. The basis upon which such figures are calculated is open to interpretation and it cannot be guaranteed that the German fiscal authorities will accept the Managers' calculation methodology in every material respect. In addition, you should be aware that if it transpires that these publications are incorrect, any subsequent correction will, as a general rule, not have retrospective effect and will, as a general rule, only take effect during the current financial year. Consequently, the correction may positively or negatively affect the investors who receive a distribution or an attribution of deemed income distributions in the current year.

## **Information for Investors in Switzerland**

The Managers have appointed ING Bank (Switzerland) Limited, 30 Avenue de Frontenex, 1207 Geneva, Switzerland, as representative and paying agent for Switzerland. For units distributed in Switzerland, the performance place is at ING Bank (Switzerland) Limited's address. Investors can obtain free of charge the Prospectus, the Simplified Prospectus, the last annual and interim reports, copies of the Trust Deed and of amendment to the Trust Deed if any as well as a list of the purchases and sales made on behalf on the Trust, in German, from the representative at the above address. Official publications for the Trust are made in the Neue Zürcher Zeitung and the Swiss Official Trade Gazette. Unit prices (Net Asset Value with the words "plus commissions") are published daily in the Neue Zürcher Zeitung.

## **Swiss Representative and Paying Agent**

ING Bank (Switzerland) Limited  
30 Avenue de Frontenex  
1207 Geneva  
Switzerland



## Report of the Managers

### Summary of Trust Performance

Accounting Year	Net asset value as at 15 November 2006 (pence per unit)	Net asset value as at 15 November 2005 (pence per unit)	Net asset value % change
Accumulation units	289.21	227.69	27.02

### Performance Record to 15 November 2006

	16 May 2006-15 Nov 2006 %	16 May 2005-15 May 2006 %	16 May 2004-15 May 2005 %	16 May 2003-15 May 2004 %	16 May 2002-15 May 2003 %
Baring German Growth Trust	4.21	42.32	17.59	23.24	-31.55
50% GermanyDAX, 30% MDAX, 20% SDAX	5.61	43.85	18.48	24.90	-32.40

Source: Standard & Poor's Limited. Percentage performance to the period ended 15 November 2006, bid to bid basis with net income reinvested.

Note: All references to a specific index are for comparative purposes only.

Past performance is not a guide to future performance. The value of an investment can fall as well as rise as a result of market fluctuations and investors may not get back the amount originally invested.

## Investment Objective and Policy

The investment objective of the Baring German Growth Trust is to achieve long-term capital growth through investment in the German market. The Manager's policy is to invest not less than 51% in companies but, when appropriate, in bonds, convertible securities or warrants as well. Also the Manager will invest not less than 70% of the Trust's assets in companies which are not only listed on German securities markets but are also either incorporated in Germany or realise the preponderant part of their commercial activity in Germany.

## How we Manage the Trust

We adopt a "bottom up" approach to investing in the Trust. This means we focus more on the individual merits of a specific company, rather than taking a stance on the outcome of a sector of the market or macroeconomic trends such as interest rate rises. We believe it is possible to find investment opportunities in niche companies in Germany that, due to technological or market leadership, are growing rapidly, although they operate in sectors that may not have a favourable outlook. We also believe it is possible to find companies with excellent prospects in strong performing areas of the market, which have been overlooked by the broader market. This is why we believe it is important to focus on company fundamentals rather than macroeconomic themes.

## Risk Profile

The Baring German Growth Trust is a country-specific Trust. It is therefore susceptible to a decline in the country it invests in. Country-specific funds are generally more risky than funds which invest more broadly. The Trust is also exposed to currency risks because the base currency is sterling and the underlying holdings are in euros. As such, exchange rate fluctuations between the two currencies can enhance or diminish returns for investors.

## Key Changes Since the Last Report

There is nothing significant to report at this time. The Manager of the Trust continues to be Gianluca Giardina, an experienced investment manager with six years' investment experience.

## Strategy and Performance

At the beginning of the period under review, we sold some small-cap holdings as we believed their valuations were looking expensive. After the market declines seen at the beginning of the period, market valuations for the mid-cap section of the market in particular appeared more attractive. As a result, we allocated the proceeds from the sale of our small-cap holdings to this area of the German market.

Broadly speaking, however, stock turnover during the period was relatively low. Amongst others, some names that were added to were Fuchs Petrolub, Allianz, SGL Carbon, Thielert and Lanxess. We also sold our holdings in Adidas, E.ON, and ThyssenKrupp.

Over the period under review, the Trust grew by 6.7%. Our holdings in the technology group, Software AG, the steel company, Salzgitter, and the car maker Volkswagen added strong positive performance. However, some of our holdings were less successful, such as Bijou Brigitte, a costume jewellery retailer, and the banking conglomerate, Commerzbank.

Our strategy remains focused on identifying companies with strong fundamentals that we believe can deliver strong long-term performance irrespective of market conditions.

## Review of the Market

Over the period markets were very volatile, with increased profit-taking in the months of May and June, followed by a steady recovery particularly from October onwards.

Global investment markets in general declined at the beginning of the period and Germany was not immune from this turn of events. Prompted by the fear that global economic growth was quickly slowing down while inflation was building up, due to the rise in the price of raw materials and resources such as oil, metals and wood, global markets fell sharply.

However, the summer reporting season saw the vast majority of companies issuing results ahead of analysts' expectations, and as a result, company management boards increased earnings expectations for the coming quarters. Investors took comfort from this positive news, and markets responded by performing strongly. This turn of events helped the German equity market to recover somewhat from the declines experienced in May.

## Market Outlook

Generally speaking, the macroeconomic picture has improved in Germany. We believe that a domestic recovery is underway and exports are finding continuing support from strong global growth and market share gains of German products. Following strong market performance at the end of the period under review, we believe valuations are closer to fair value. As a result, we are still positive on the investment prospects for 2007, but believe that German market gains will be more limited than in 2006.

## Income

The income deficit of £562,514 is carried forward to the annual accumulation which is due to be paid on 24 July 2006. This compares with an income deficit of £246,239 which was carried forward for the same period last year.

Gianluca Giardina  
Investment Manager, Baring German Growth Trust  
November, 2006

## Directors' Statement

The financial statements on pages 12 to 18 were approved by the Managers and signed on their behalf by:

W.P. SAVAGE                      Director

I.A. PASCAL                      Director

London 11 January 2007

## Portfolio Information

### Major Holdings - % of total net assets

Top Ten Holdings	15 Nov 06 %	15 May 06 %
Allianz	7.35	5.10
Siemens	6.02	5.59
Deutsche Bank	5.91	5.67
E.ON	5.59	4.00
SAP	5.02	2.90
RWE	3.66	3.81
Muenchener Rueckversicherungs	3.64	0.00
Commerzbank	3.57	3.45
Fresenius Pref	3.16	0.00
Deutsche Boerse	3.06	3.16

### Geographical Breakdown

The Trust's main country of investment is Germany with selective holdings in Austria and Switzerland.

**Sector Breakdown - % of total net assets**

Sector	15 Nov 06 %	15 May 06 %
Insurance	14.16	7.16
Manufacturing	12.12	10.54
Banks	11.97	10.50
Utilities	9.25	7.80
Application Software	8.67	6.17
Electronic & Electrical Equipment	7.73	9.60
Pharmaceuticals	5.92	8.51
Construction	4.31	3.25
Other	3.93	0.49
Software & Computer Services	3.79	2.85
Chemicals	3.05	1.71
Engineering & Machinery	2.96	2.24
Media & Entertainment	2.52	2.44
Retailing	2.11	6.14
Mechanical	1.97	2.34
Real Estate	1.65	2.05
Health	1.52	1.54
Auto	1.15	5.66
Leisure & Hotels	1.15	1.56
Financial	0.07	0.00
Aerospace & Defence	0.00	2.23
Metals	0.00	3.77
Textiles & Apparel	0.00	1.45

## Performance Record

### Trust Size

Accounting Year	Net asset value (£)	Net asset value pence per unit	No. of units in issue
2004	147,479,791	165.94	88,877,834
2005	198,827,315	227.69	87,324,972
2006*	212,237,513	289.21	73,384,806

\*15 November 2006

### Unit Price Range

Calendar Year	Accumulation Units	
	Highest Mid (pence)	Lowest Bid (pence)
2001	292.10	153.30
2002	206.90	101.90
2003	172.10	98.90
2004	195.20	159.40
2005	234.00	191.50
2006*	295.00	236.20

\*1 January to 15 November 2006

### Other Relevant Prices

Accounting Year		Mid Price (pence)	Offer Price (pence)	Bid Price (pence)
8 May 1990	Launch Date	-	50.00	47.40
15 November 2006	Accounts Date	289.44	-	-
7 December 2006	Latest Date	290.02	-	-

### Net Income Accumulation

Calendar Year	Accumulation Units	
	Pence per Unit	Per £1,000 invested at 2 January 2001 (£)
2001	-	-
2002	-	-
2003	0.9797	3.27
2004	0.1094	0.37
2005	0.5693	1.90
2006*	0.0442	0.15

\*1 January to 15 November 2006

## Statement of Total Return

(unaudited) for the half year ended 15 November 2006

	Notes	2006		2005*	
		£'000	£'000	£'000	£'000
Net gains on investments					
during the period	2		6,799		30,357
Other (losses)	3		(135)		(246)
Gross income	4	1,612		1,202	
Expenses	5	(1,694)		(1,652)	
Finance costs: Interest	7	(1)		(9)	
Net (expense) before taxation		(83)		(459)	
Taxation	6	(222)		(165)	
Net (expense) after taxation for the period			(305)		(624)
<b>Total return before distribution</b>			<b>6,359</b>		<b>29,487</b>
Finance costs: Distributions/Equalisation	7		(16)		32
<b>Change in net assets attributable to unitholders</b>			<b>6,343</b>		<b>29,519</b>

## Statement of Change in Unitholders' Net Assets

(unaudited) for the half year ended 15 November 2006

	2006		2005†	
	£'000	£'000	£'000	£'000
<b>Net assets at 15 May 2006</b>		<b>243,581</b>		<b>176,690</b>
Movement due to sales and repurchases of units				
Amounts receivable on creation of units	7,967		41,836	
Amounts payable on cancellation of units	(45,653)		(49,220)	
		(37,686)		(7,382)
Change in net assets attributable to unitholders (see above)		6,343		29,519
<b>Net assets at 15 November 2006*</b>		<b>212,238</b>		<b>198,827</b>

\*The prior year figures have been restated in accordance with the accounting policies on page 19.

†The carried forward net assets will not equal the brought forward assets due to movements in the period 16 May 2006 to 15 November 2006.

## Portfolio Statement

(unaudited) as at 15 November 2006

Holding		Bid- Market Value	Percentage of total net assets
<b>Application Software 8.67% (6.17%)</b>			
76,618	Deutsche Boerse	6,498,649	3.06
97,659	SAP	10,641,096	5.02
171,667	Vi(z)rt	1,262,446	0.59
		<b>18,402,191</b>	<b>8.67</b>
<b>Auto 1.15% (5.66%)</b>			
76,669	Fuchs Petro	<b>2,442,903</b>	<b>1.15</b>
<b>Banks 11.97% (10.50%)</b>			
137,103	Aareal Bank	2,970,884	1.40
386,939	Comdirect Bank	2,321,036	1.09
388,810	Commerzbank	7,571,277	3.57
187,419	Deutsche Bank	12,539,230	5.91
		<b>25,402,427</b>	<b>11.97</b>
<b>Chemicals 3.05% (1.71%)</b>			
74,775	Lonza Group	3,341,071	1.57
7,711	Rieter	1,935,179	0.91
2,166	SGS	1,200,114	0.57
		<b>6,476,364</b>	<b>3.05</b>
<b>Construction 4.31% (3.25%)</b>			
125,880	Bilfinger & Berger	4,205,442	1.99
51,936	Hochtief	1,830,492	0.86
215,786	Pfleiderer	3,102,130	1.46
		<b>9,138,064</b>	<b>4.31</b>
<b>Electronic &amp; Electrical Equipment 7.73% (9.60%)</b>			
251,468	Siemens	12,779,806	6.02
48,173	Wincor	3,622,983	1.71
		<b>16,402,789</b>	<b>7.73</b>

## Portfolio Statement

(unaudited) as at 15 November 2006 (continued)

Holding		Bid- Market Value	Percentage of total net assets
	<b>Engineering &amp; Machinery 2.96% (2.24%)</b>		
8,629	Sulzer	4,375,022	2.06
140,840	Thielert	1,909,203	0.90
		<b>6,284,225</b>	<b>2.96</b>
	<b>Financial 0.07% (0.00%)</b>		
6,695	Grenkeleasing	<b>151,381</b>	<b>0.07</b>
	<b>Health 1.52% (1.54%)</b>		
640,340	Curanum	<b>3,233,427</b>	<b>1.52</b>
	<b>Insurance 14.16% (7.16%)</b>		
151,348	Allianz	15,604,835	7.35
188,046	Hannover Rueckversicherungs	4,239,186	2.00
89,644	Muenchener Rueckversicherungs	7,723,804	3.64
56,204	Swiss Reinsurance	2,492,227	1.17
		<b>30,060,052</b>	<b>14.16</b>
	<b>Leisure &amp; Hotels 1.15% (1.56%)</b>		
139,012	CTS Eventim	<b>2,430,906</b>	<b>1.15</b>
	<b>Manufacturing 12.12% (10.54%)</b>		
181,195	Lanxess	4,575,991	2.16
55,002	Rational	5,410,057	2.55
98,326	Salzgitter	5,836,061	2.75
440,366	SGL Carbon	5,318,848	2.51
50,260	Syngenta	4,572,364	2.15
		<b>25,713,321</b>	<b>12.12</b>
	<b>Mechanical 1.97% (2.34%)</b>		
111,927	Rheinmetall	<b>4,173,233</b>	<b>1.97</b>



## Portfolio Statement

(unaudited) as at 15 November 2006 (continued)

Holding		Bid- Market Value	Percentage of total net assets
	<b>Media &amp; Entertainment 2.52% (2.44%)</b>		
349,520	Prosieben Sat1 Media	<b>5,358,716</b>	<b>2.52</b>
	<b>Pharmaceuticals 5.92% (8.51%)</b>		
65,301	Fresenius Pref	6,718,738	3.16
100,060	Merck	5,852,850	2.76
		<b>12,571,588</b>	<b>5.92</b>
	<b>Real Estate 1.65% (2.05%)</b>		
114,025	Hypo Real Estate	<b>3,505,655</b>	<b>1.65</b>
	<b>Retailing 2.11% (6.14%)</b>		
21,380	Bijou Brigitte	2,285,259	1.08
511,301	Wire Card	2,183,299	1.03
		<b>4,468,558</b>	<b>2.11</b>
	<b>Software &amp; Computer Services 3.79% (2.85%)</b>		
126,840	Cenit AG Systemhau	1,194,998	0.56
128,741	Logitech international	1,858,329	0.88
135,360	Software	4,990,975	2.35
		<b>8,044,302</b>	<b>3.79</b>
	<b>Utilities 9.25% (7.80%)</b>		
182,768	E.ON	11,873,763	5.59
144,466	RWE	7,763,904	3.66
		<b>19,637,667</b>	<b>9.25</b>
	<b>Forward Contracts 0.00% (0.00%)</b>		
€524,778	Buy EUR 524,778 Sell GBP 353,433	<b>(2,280)</b>	<b>0.00</b>

## Portfolio Statement

(unaudited) as at 15 November 2006 (continued)

Holding	Bid- Market Value	Percentage of total net assets
- Other 0.00% (7.45%)	0	0.00
<b>Portfolio of Investments 96.07% (99.51%)</b>	<b>203,895,489</b>	<b>96.07</b>
Net other assets	8,342,024	3.93
<b>Net assets</b>	<b>212,237,513</b>	<b>100.00</b>

Note: Securities shown on the Portfolio Statement are ordinary shares unless otherwise stated.

Comparative figures shown in brackets relate to 15 May 2006.

## Balance Sheet

(unaudited) as at 15 November 2006

		15/11/06	15/05/06*
	Notes	£'000	£'000
<b>ASSETS</b>			
<b>Portfolio of Investments</b>		<b>203,897</b>	242,390
Debtors	8	261	1,074
Cash and bank balances	10	9,072	17,267
Total other assets		9,333	8,341
Total assets		<b>213,230</b>	250,731
<b>LIABILITIES</b>			
Derivative liabilities		2	-
Creditors	9	990	7,150
Total other liabilities		990	7,150
Total liabilities		<b>992</b>	7,150
<b>Net Assets Attributable to Unitholders</b>		<b>212,238</b>	243,581

\*The prior year figures have been restated in accordance with the accounting policies on page 19.

## Summary of Material Portfolio Changes

(unaudited) for the half year ended 15 November 2006

Purchases	Costs	Note	Sales	Proceeds
	£'000			£'000
Merck	5,693		Bayer	11,565
BASF	5,631		Continental	8,333
SGL Carbon	4,691		Oesterreichische Elektrizitats	6,787
SAP	4,489		ThyssenKrupp	5,915
Adidas	4,414		BASF	5,804
Hannover Rueckversicherungs	3,669		Hochtief	5,141
E.ON	3,528		DaimlerChrysler	4,671
Bilfinger & Berger	3,487		Merck	4,632
Schwarz Pharma	3,225		Adidas	4,326
TUI	3,101		EADS	3,996
Aareal Bank	3,098		Vallourec	3,837
Lonza	2,777		Schwarz Pharma	3,685
IKB DT Industriebkord	2,719		TUI	3,413
Hochtief	2,492		GEA	3,396
Sixt	2,405		Marschollek Lauten	3,356
Swiss Reinsurance	2,304		Siemens	3,133
Muenchener Rueckversicherungs	2,283		Puma	3,111
Comdirect	2,208		Comdirect	3,042
Leoni	2,167		RWE	2,950
Andritz	2,130		Lanxess	2,912
<b>Total for the period</b>	<b>£95,573,043</b>	<b>15</b>	<b>Total for the period</b>	<b>£141,109,192</b>

Note: The summary of material portfolio changes identifies those purchases or sales exceeding 2% of the net assets of the Trust at the start of the accounting period, subject to a minimum disclosure of the 20 largest purchases and sales.

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006

### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice ("SORP") for Authorised Funds issued by the Investment Management Association in December 2005.

#### **Income**

Dividends from equities are included in the property when the security is quoted ex-dividend. Bank interest is accounted for on an accruals basis. Ordinary scrip dividends are recognised as income, based on the market value of the shares on the date they are quoted ex-dividend. All expenses, other than those relating to the purchase and sale of investments, are charged against income.

#### **Special Dividends**

These are recognised as either income or capital depending upon the nature and circumstances of the dividend receivable. Special dividends taken to capital are disclosed as realised (losses)/gains on investments during the period (note 2).

#### **Distribution Policy**

When appropriate the Trust will pay any surplus income as an accumulation.

#### **Valuations**

To comply with the new SORP quoted investments have been valued at bid-market value at 12:00 noon on the last working day of the accounting period net of any accrued interest which is included in the balance sheet as income. Prior period quoted investments have been valued at mid-market value. There is a significant movement in value between the two valuation bases that have been used due to the underlying spread of investments and exchange rates, where applicable. It is not necessary to restate prior period comparative figures relating to the valuation basis.

#### **Unquoted Securities**

Any unlisted securities, suspended securities and unapproved securities are valued by a source independent of the Managers. At the balance sheet date the percentage of net assets held in such securities was nil.

#### **Foreign currencies**

The values of assets and liabilities have been converted into sterling at the exchange rates prevailing at 12:00 noon on the balance sheet date (15 November 2006).

#### **Taxation**

Corporation tax is provided for on an accounting basis, hence deferred tax on short-term timing difference does not arise. Deferred tax assets arising from unutilised expenses or excess unrelieved foreign tax are only recognised as they are expected to crystallize.

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 2. NET GAINS ON INVESTMENTS

The net gains on investments during the period comprise:

	2006 £'000	2005 £'000
Non-derivative securities	6,799	30,357
Net gains on investments	<u>6,799</u>	<u>30,357</u>

### 3. OTHER LOSSES)

Other (losses) comprise:

	2006 £'000	2005 £'000
Currency (losses)	(135)	(246)

### 4. GROSS INCOME

	2006 £'000	2005 £'000
Securities lending income	18	-
Overseas dividends	1,486	1,101
Bank interest	108	101
	<u>1,612</u>	<u>1,202</u>

### 5. EXPENSES

	2006 £'000	2005* £'000
Payable to the Managers or associates of the Managers:		
Managers' service charge	1,599	1,537
Registration fees	27	34
	<u>1,626</u>	<u>1,571</u>
Payable to the Trustee or associates of the Trustee:		
Trustee's fee	28	26
Security transaction charges	14	29
Safe custody charges	20	22
	<u>62</u>	<u>77</u>

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 5. EXPENSES - CONTINUED

	2006 £'000	2005* £'000
<b>Other expenses:</b>		
Audit fees	4	3
FSA and other regulatory fees	1	-
Taxation fees	1	1
	<u>6</u>	<u>4</u>
Total expenses	<u>1,694</u>	<u>1,652</u>

Transaction-related handling charges of £13,544 (2005: £28,737) have been included in the capital account, as they are considered to be capital in nature.

\*The prior year figures have been restated in accordance with the accounting policies on page 19.

### 6. TAXATION

	2006 £'000	2005 £'000
<b>a) Analysis of charge in period:</b>		
Overseas withholding tax	<u>222</u>	<u>165</u>
<b>b) Factors affecting taxation charge for the period:</b>		
The tax assessed for the period is higher than the standard rate of Corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:		
Net expense before taxation	<u>(83)</u>	<u>(459)</u>
Corporation tax at 20%	(17)	(92)
Effects of:		
Transaction charges	3	6
Overseas withholding tax	222	165
Current period expenses not utilised	14	86
<b>Current tax charge (note 6a)</b>	<u>222</u>	<u>165</u>
<b>c) Deferred tax</b>		
Provision at the start of the period	-	-
Deferred tax charge in the period	-	-
Provision at the end of the period	-	-
	<u>-</u>	<u>-</u>

At the period end there is a related deferred tax asset of £1,908,845 (2005: £1,575,941) in relation to surplus management expenses and excess unutilised foreign tax available for double taxation relief. It is unlikely that the Trust will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the period or the prior period.

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 7. FINANCE COSTS

#### Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	2006 £'000	2005* £'000
Add: Income deducted on units cancelled	24	20
Deduct: Income received on units created	(8)	(52)
	<u>16</u>	<u>(32)</u>
Interest	1	9
Total finance costs	<u>17</u>	<u>(23)</u>

\*The prior year figures have been restated in accordance with the accounting policies on page 19.

### 8. DEBTORS

	15/11/06 £'000	15/05/06 £'000
Accrued income	62	100
Overseas tax recoverable	199	176
Sales awaiting settlement	-	798
	<u>261</u>	<u>1,074</u>

### 9. CREDITORS

	15/11/06 £'000	15/05/06 £'000
Accrued expenses	435	522
Amounts payable for cancellation of units	555	5,534
Purchases awaiting settlement	-	1,094
	<u>990</u>	<u>7,150</u>

### 10. RELATED PARTIES

Baring Fund Managers Limited, together with The Royal Bank of Scotland plc are regarded as controlling parties by virtue of having the ability to act in concert in respect of the operations of the Trust.

Baring Fund Managers Limited, a related party, acts as principal on all the transactions of units in the Trust. The aggregate monies received through creations and liquidations are disclosed in the statement of change in unitholders' net assets, amounts due to/from Baring Fund Managers Limited in respect of unit transactions at the period end are disclosed in the balance sheet.

Amounts paid to Baring Fund Managers Limited in respect of Managers' periodic charges are disclosed in note 5. £398,420 was due at the period end (2005: £121,214).



## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 10. RELATED PARTIES - CONTINUED

Amounts paid to The Royal Bank of Scotland plc in respect of trustee services, safe custody and transaction charges are disclosed in note 5. £19,288 was due at the period end (2005: £17,586).

Cash balances on deposit are held with The Royal Bank of Scotland plc and are disclosed in the balance sheet together with interest due. Interest receivable is disclosed within accrued income in note 8.

Neither Baring Fund Managers Limited nor The Royal Bank of Scotland plc entered into any other transactions with the Trust during the period.

Dealings with Associates:

As defined by the Hong Kong Securities and Futures Commission Regulations, there were no brokerage deals for the period effected through connected persons.

Any transactions through related parties are entered into in the ordinary course of business and on normal commercial terms.

### 11. EQUALISATION

Equalisation is accrued income included in the price of units purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a unitholder's first accumulation, resulting in the same rate of accumulation on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

### 12. CONTINGENT LIABILITIES

There were no contingent liabilities at the period end date.

### 13. FINANCIAL INSTRUMENTS

In pursuing its investment objective set out on page 7 the Trust may hold a number of financial instruments. These comprise:

- equity and non-equity shares, fixed income securities, and floating rate securities. These are held in accordance with the Trust's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- unitholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity;
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Trust's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the portfolio statement. Unrealised gains/(losses) on forward foreign exchange transactions are taken to capital.

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 14. RISKS OF FINANCIAL INSTRUMENTS

The main risks arising from the Trust's financial instruments are market price, foreign currency, interest rate, liquidity and credit risks. The Managers review (and agree with the Trustee) policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate:

- *Market risk* - arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements.

The Managers meet regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The Managers do not use derivative instruments to hedge the investment portfolio against market risk, as in their opinion the cost of such a process would result in an unacceptable reduction in the potential for capital growth.

- *Foreign currency risk* - the income and capital value of the Trust's investments can be significantly affected by foreign currency translation movements as the majority of the Trust's assets and income are denominated in currencies other than the sterling which is the Trust's functional currency.

The Managers have identified three principal areas where foreign currency risk could impact the Trust. These are movement in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Trust. The Trust converts all receipts of income, received in currency, into sterling on the day of receipt.

At the period end date a portion of the net assets of the Trust were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

Foreign currency exposure for the period ended 15 November 2006:

	<b>Investments</b>	<b>Current Net Assets/Liabilities</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Euro	184,121	8,919	193,040
Sterling	-	(576)	(576)
Swiss franc	19,774	-	19,774
	<b>203,895</b>	<b>8,343</b>	<b>212,238</b>

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 14. RISKS OF FINANCIAL INSTRUMENTS - CONTINUED

Foreign currency exposure for the year ended 15 May 2006:

	Investments	Current Net Assets	Total
	£'000	£'000	£'000
Euro	231,915	1,175	233,090
Swiss franc	10,474	-	10,474
	<u>242,389</u>	<u>1,175</u>	<u>243,564</u>

- *Interest rate risk* - the majority of the Trust's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Trust's financial liabilities are non-interest bearing which mature within one year.

The Trust may invest in both fixed rate and floating rate securities, any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Managers being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the income potential of the Trust also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Trust). A decline in interest rates will in general have the opposite effect.

The interest rate risk profile of financial assets and liabilities consists of the following:

Currency	Floating Rate Financial Assets	Floating Rate Financial Assets
	15/11/06 £'000	15/05/06 £'000
Euro	8,996	1,468
Sterling	76	5,799
	<u>9,072</u>	<u>7,267</u>

The floating rate assets and liabilities comprise bank balances and overdrafts, whose rates are determined by reference to LIBOR or international equivalent borrowing rate.

- *Liquidity risk* - the Trust's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the Trust is the redemption of any units that investors wish to sell.
- *Credit risk* - certain transactions in securities that the Trust enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Trust has fulfilled its responsibilities.

The Trust only buys and sells investments through brokers which have been approved as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time, these limits are reviewed regularly.

## Notes to the Financial Statements

(unaudited) for the half year ended 15 November 2006 (continued)

### 14. RISKS OF FINANCIAL INSTRUMENTS - CONTINUED

- *Fair value* - there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.
- *Derivatives and other financial instruments* - the Trust does not hold any derivatives that could impact the value of the Trust significantly.

### 15. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs:

	2006 £'000	2005 £'000
Purchases in period before transaction costs	95,347	140,695
Commissions	226	279
Total purchase costs	226	279
Gross purchases total	95,573	140,974

Analysis of total sale costs:

Gross sales before transaction costs	141,386	150,742
Commissions	(277)	(298)
Total sale costs	(277)	(298)
Total sales net of transaction costs	141,109	150,444

### 16. TOTAL EXPENSE RATIO

Following a directive of the Swiss Funds Association, dated 13 June 2003, the Managers are required to publish a Total Expense Ratio (TER) for the Trust. The TER draws upon information contained in Note 5 to the Financial Statements (Managers service charge, Trustee fees, taxes and duties as well as any other costs and commissions which are listed in the detailed Profit & Loss (P&L) account and are not already mentioned in one of the foregoing categories). It is calculated with reference to these numbers and the average net assets of the Trust during the period.

Annualised for the six months to 15 November 2006, the TER for the Baring German Growth Trust is 1.60%.

### 17. TRAILER FEES AND REIMBURSEMENTS

Trailer fees (commissions for the marketing of the Trusts) are paid to distribution, commission and sales agents out of the management fees.

Reimbursements to institutional investors, who from a commercial perspective are holding the Trust units for third parties, are also paid out of the management fees.

All personal data held by us is processed in accordance with the provisions of the Data Protection Act 1998. Accordingly, we use the details you provide to us only to fulfil the purpose for which you provided them. We will not send you details about any or all of our products or services unless you ask us to. If you would like information (and an application form) about unit trusts managed by Baring Fund Managers Limited please tick the appropriate box and return this form to: The Investment Services Department, BARING FUND MANAGERS LIMITED, 155 Bishopsgate, London EC2M 3XY.

**Trusts with minimum initial investment of £1,000**

- \*Baring American Growth Trust
- \*Baring Cash Fund
- \*Baring Directional Global Bond Trust†
- Baring Eastern Trust
- \*Baring Equity Income Trust
- Baring Europe Select Trust
- Baring European Growth Trust
- Baring German Growth Trust
- \*Baring Global Bond Trust
- \*Baring Global Growth Trust
- \*Baring Japan Growth Trust
- Baring Korea Trust
- \*Baring Portfolio Fund
- \*Baring Sterling Corporate Bond Trust
- \*Baring UK Growth Trust
- \*Baring UK Smaller Companies Trust

\*£1,000 minimum investment for accumulation units, £10,000 minimum for income units

\*The above Trusts have not been authorised by the Securities and Futures Commission in Hong Kong, and are therefore not available for investment by residents of Hong Kong.

**BLOCK CAPITALS PLEASE**

Forename(s) in full.....

Title & Surname .....

Address .....

.....

.....Postcode.....









Baring Fund Managers Limited  
155 Bishopsgate  
London EC2M 3XY  
Telephone: 020 7628 6000  
(Authorised and regulated by the Financial Services Authority)  
[www.barings.com](http://www.barings.com)