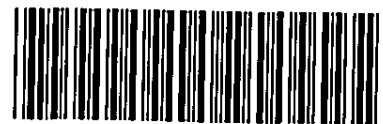


Annual Report & Audited Financial Statements

for the year ended 30 September 2009

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Baring Emerging
Europe PLC

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Directors and officers

Directors

Iain Saunders, Chairman
Steven Bates
John Cousins
Josephine Dixon
Saul Estrin
Jonathan Woollett

Secretary

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

Registered office

155 Bishopsgate
London EC2M 3XY

Company number

4560726

Investment Manager

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London EC2M 3XY

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Auditor

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London EC4Y 8BB

Custodian

State Street Bank & Trust Company Limited
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London E14 5AF

Administrator

Northern Trust Global Services Limited
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Registrars and transfer office

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Email: shareholder.services@capitaregistrars.com

Website

www.bee-plc.com

Financial highlights

	2009	2008
Net asset value per ordinary share ("NAV")	770.57p	711.41p
Earnings per ordinary share	8.99p	10.28p
Dividends per ordinary share	8.50p	9.00p
Share price	701.00p	630.50p
Total expense ratio ("TER") (based on average monthly NAV)	1.36%*	1.17%

*Excluding the effect of VAT recovered (see item 5 on page 21).

Performance

	Year ended 30 September 2009
Net asset value per ordinary share	+8.3%
Share price	+11.2%
Benchmark*	+6.4%

*The benchmark is the MSCI EM Europe 10/40 Index.

Discount (at 30 September)

	2009	2008
Discount to net asset value per share	9.0%	11.4%

Investment objective

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

The Investment Manager

The Investment Manager is Baring Asset Management Limited which is authorised and regulated by the Financial Services Authority.

Financial calendar

Annual general meeting for 2009	19 January 2010
Announcement of interim results	May
Announcement of final results	December
Interim report posted	May
Annual report posted	December

The Company's share price is published in the Financial Times.

Special considerations and risk factors

Shareholders should be aware that the value of the Company's Shares and the income from them may fluctuate. In addition, there is no guarantee that the market prices of shares in investment trusts will fully reflect their underlying Net Asset Value.

The risks inherent in investment by the Company in Emerging Europe are of a nature and degree not typically encountered in investing in securities of companies listed on the major securities markets. Such risks are both political and economic and in addition to the normal risks inherent in any equity investment.

Investment in the Company should be regarded as long-term in nature. There can be no guarantee that the Company's investment objectives will be achieved.

Chairman's statement

Company performance

Following the disappointing results for the first half of the financial year, when the net asset value declined from 711.41p at 30 September 2008 to 435.48p at 31 March 2009 (a decline of 38.8%), the performance of Eastern European equity markets recovered strongly in the second half of the year. As a result for the year ended 30 September 2009 the NAV of Baring Emerging Europe PLC increased by 8.3% to 770.57p per share compared to an increase in the benchmark of 6.4%.

Dividend income from the investment portfolio has declined from £9.9 million in 2008 to £5.8 million. While there was some reduction in dividends from companies in the portfolio, the decline was mainly caused by changes in the composition of the portfolio and timing differences which inflated the level of dividend income in 2008. The investment management fee (excluding the performance fee) has halved, reflecting the lower portfolio value for much of the year, and other expenses have reduced slightly. The revenue account has also benefited from the recovery of VAT. As a result the income available for distribution has fallen from 10.28p per share for the year to 30 September 2008 to 8.99p per share for the current year (on a weighted average basis) out of which the Directors are recommending a dividend of 8.5p per share.

Discount management

The Board believes that shareholders' interests are best served by containing the volatility of the discount and the Board has been willing to repurchase shares when the discount persistently exceeds the target set by the Board. At the year end the discount was 9.0% and for the year as a whole it averaged 8.3%. During the year ended 30 September 2009 2,782,796 shares were repurchased at a cost of £12.4 million. Subsequent to the year end a further 241,657 shares have been repurchased.

The Board prefers to have the flexibility to hold any shares repurchased in Treasury so that they can be reissued at a later date. The Board understands the concerns about a dilution of NAV by issuing shares at a discount. Therefore at the AGM the Board will again be putting forward resolutions to repurchase shares for cancellation or to be held in Treasury but to be reissued only at NAV or above. The Board hopes that shareholders will support these resolutions.

VAT

As previously reported, the European Court of Justice ruled in 2007 that VAT should not be levied on the management and performance fees of investment trust companies and with effect from 1 October 2007, VAT is no longer payable on these fees. I am pleased to report that during the year the Company recovered £960,000 of VAT on management and performance fees invoiced subsequent to March 2005 together with interest of £79,000. A reclaim for the period from the launch of the Company in December 2002 to March 2005 has been lodged with HM Revenue and Customs. As the exact amount of the recovery and the timing cannot be determined no amount has been recognised in the net asset value in respect of this additional amount.

Board

I have been Chairman of the Board since the Company's flotation in December 2002 and I have decided that the time is now right for me to stand down. I will therefore not be offering myself for re-election at the Annual General Meeting in January 2010. I have very much enjoyed my involvement with the Company and shall follow its progress with interest. We have a very experienced Board of Directors who I know will continue to look after your Company well. The Board has decided that Steven Bates will take over as Chairman when I retire.

Chairman's statement (cont'd)

Annual General Meeting

The next Annual General Meeting will be held on Tuesday, 19 January 2010 at 155 Bishopsgate, London EC2M 3XY commencing at 2:30pm. The formal business will be preceded by a presentation from the Investment Manager, after which there will be an opportunity for shareholders to raise any specific issues with the Investment Manager or with any member of the Board.

Outlook

We are optimistic about the long-term prospects for the region. We expect the resource intensive process of emerging market urbanisation and industrialisation to continue and to lead to increased demand for raw materials of every kind. In this environment Russia, with its enormous reserves of raw materials, should benefit. Furthermore, as growth in Western Europe recovers, Eastern European exporters who rely on exporting to the West should do well. Also, investment into Eastern Europe should continue as Western European companies seek efficiency gains. Despite the stock market recovery, valuations on an absolute and relative level remain reasonable.

Iain Saunders

Chairman

3 December 2009

Report of the Investment Manager

for the year ended 30 September 2009

How we manage the Company

At Baring Asset Management, we believe that a sound research process is the starting point of any successful investment approach. In our view, it is most effective to analyse both companies and countries, with the goal of investing in the most attractive companies in the most attractive countries.

Our research focuses on Growth at a Reasonable Price, on sensitivity to currency movements, and to other external factors; on the soundness or otherwise of government policy (in the case of a country), or business plan (in the case of a company); and last but not least, on the level of valuation. This research gives rise to an assessment of the fundamental drivers of return, and to this we add a subjective judgement as to the level of return we expect from each asset in which we might invest. We also check that these rankings are consistent with the broader thematic developments we expect as a firm. These rankings then allow us to construct a disciplined and relatively concentrated portfolio of our most attractive candidates.

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Performance

Following a marked decline in the Company's NAV over the first six months of the review period, Eastern European equity markets recovered strongly in the second half, with the result that your Company ended a very volatile year with a gain of 8.3% (NAV). The portfolio outperformed its benchmark by 1.9% and ranked in the second quartile of its peer group over the twelve-month period. Both stock selection and country/sector allocation contributed equally to this outperformance. This is a satisfying result which highlights the robustness of the investment process.

The near-collapse of the global financial system after the demise of Lehman Brothers and its economic repercussions set the tone for the first half of the business year. Although equity markets in the region had already slumped, investors panicked in response to the weight of bad news and there was a painful sell-off across all asset classes in Emerging Europe. The rapid devaluation of Eastern European currencies sparked fears of a mass default at both the corporate and private level. In turn, this put pressure on the financial sector and on businesses exposed to the consumer, such as retailers. In addition, the sharp decline in commodity prices undermined profit margins in the resource sector and led to the indiscriminate selling of commodity stocks. This caused a questioning of the credit rating and solvency of the Russian Federation, despite the fact that the country had no debt and reserves in excess of USD600 billion. Inter-bank lending dried up completely and capital was repatriated from the region. This led to a severe tightening of liquidity which further intensified the economic downturn. It was a perfect storm.

In the midst of the gloom, the market chose to ignore positive developments, such as the USD25 billion oil-backed credit facility that was granted by China's CNPC to Russia's Rosneft, although this unquestionably helped to stabilize the economy. The market also reacted with suspicion to the combined efforts of the International Monetary Fund (IMF) and the European Union (EU) to support Eastern Europe and its financial sector but subsequent developments have shown that such bold action played a pivotal role in preventing a complete meltdown and further helped restore trust in the financial system.

Report of the Investment Manager (cont'd)

Russia's government did not turn to the IMF but made use of part of its vast foreign exchange reserves to re-liquify a banking system that was starved of funds when international banks cut credit lines to emerging markets indiscriminately. The state – via two state controlled banks VEB and VTB – assumed the functions of an interbank market by providing short and medium-term credit facilities for Russian corporations. These developments amongst others highlighted the fragility of the Russian banking sector and also the need for consolidation in the system.

In contrast, the Turkish banking sector has performed exceptionally well over the period and its regulatory environment is rightly considered a role model for the region. Following multiple banking crises in the late 1990's and the early years of this decade, Turkey's banking system has evolved into a highly liquid, well capitalised banking market which is also risk conscious, and dominated by the private sector. It was able successfully to navigate the financial crisis and appears to be on track to produce excellent returns on equity even in the difficult conditions of 2009.

By mid-March 2009, however, investors woke up to the realisation that the world had not come to an end. The first sign was that companies which had cut costs very aggressively going into the downturn started to feel more comfortable. Commodity prices stabilised and a combination of currency devaluation and a sharp decrease in production-related costs increased the profitability of companies in the commodities sector.

In the banking sector, new loan growth was non-existent but financial institutions were still able to re-finance by drawing on the relevant Central Bank. They also negotiated significantly higher spreads from their customers when rolling over credit facilities. This meant that net interest margins and therefore profitability increased dramatically in the sector.

The retail sector benefited from resilient consumer demand – a result of the low debt levels of Emerging European consumers. In some cases, consumers even brought forward their purchases of discretionary items, such as cars or electrical goods, as their trust in money as a store of wealth declined. The highly-exposed export sector was positively affected by the introduction of a car scrappage scheme in many parts of Europe, most notably Germany.

Strategy

During the course of the year, we increased the Company's focus on holdings where we have the highest confidence and the effect of this was to reduce the number of holdings overall. This strategy bore fruit as stock selection made a positive contribution to performance. Although the deviation from the benchmark was kept at relatively low levels at both sector and country levels, we were prepared to assume a relatively high degree of stock specific risk, and the Company's performance over the review period indicates that this strategy was appropriate.

We continue to see attractive investment opportunities in the region and believe that our preferred stocks should continue to outperform. We expect activity on the primary market to increase and any stock issues should serve as an excellent barometer of international investors' sentiment towards Emerging Europe. While the amount of stock to be issued could potentially be substantial, there is no reason to believe that this will lead to pressure on valuations in the secondary markets. Indeed, because of the vast amounts of liquidity held by investors and the fact that net fund flows into EMEA are still paltry, increased activity on the IPO market could potentially attract the interest of non-specialist investors.

Outlook

Given the stabilisation of the economic environment, we believe the current outlook for EMEA stock markets remains benign. In our opinion, markets should be supported by a further earnings recovery that the market has only partially discounted. Stock market valuations on an absolute and relative level look reasonable, even after the strong performance so far in 2009.

Report of the Investment Manager (cont'd)

Investment portfolio

The Company's portfolio at 30 September 2009, is set out in the following table:

	Holding	Country of listing	Market value £000	% of portfolio
1	Gazprom	Russia	24,831	9.16
2	Lukoil Holdings	Russia	23,297	8.59
3	Sberbank	Russia	22,789	8.40
4	Rosneft	Russia	22,649	8.35
5	CEZ	Czech Republic	17,740	6.54
6	Garanti Bank	Turkey	16,754	6.18
7	Mobile Telesystems	Russia	14,503	5.35
8	Norilsk Nickel	Russia	11,726	4.32
9	Vimpel Comm	Russia	11,459	4.23
10	PKO BP	Poland	11,039	4.07
11	OTP Bank	Hungary	10,840	4.00
12	Turkiye Petrol Rafinerileri	Turkey	9,335	3.44
13	Turkiye Halk Bankasi	Turkey	9,123	3.36
14	Globe Trade Centre	Poland	6,635	2.45
15	Evraz	Russia	5,323	1.96
16	Komerční Banka	Czech Republic	5,300	1.95
17	Enka Insaat	Turkey	5,103	1.88
18	Eurocash	Poland	4,934	1.82
19	Novolipetsk Steel	Russia	4,702	1.73
20	Kazakhmys	United Kingdom	4,366	1.61
21	Petropavlovsk	United Kingdom	4,069	1.50
22	Mechel	Russia	3,420	1.26
23	Pharmstandard	Russia	3,040	1.12
24	Oriflame Cosmetics	Sweden	2,667	0.98
25	Richter Gedeon	Hungary	2,656	0.98
26	Rushydro	Russia	2,387	0.88
27	Magnit	Russia	2,377	0.88
28	PBG	Poland	2,053	0.76
29	Turkcell Iletisim	Turkey	1,450	0.54
30	MOL	Hungary	1,376	0.51
31	Bim Birlesik Magaz	Turkey	1,170	0.43
32	AO Tatneft	Russia	774	0.29
33	Holding Co Sibcem	Russia	741	0.27
34	Surgutneftegaz	Russia	475	0.18
35	X5 Retail Group	Netherlands	86	0.03
Total investments			271,189	100.00

Report of the Investment Manager (cont'd)

Company weighting versus benchmark by country of listing at 30 September 2009

	Company	Benchmark
Czech Republic	8.1	5.6
Hungary	5.2	6.7
Poland	8.7	12.9
Russia	54.8	57.9
Sweden	0.9	—
Turkey	15.1	16.9
United Kingdom	3.0	—
Cash	4.2	—
	100.0	100.0

Source: Barings, MSCI

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Report of the Investment Manager (cont'd)

Classification of assets

The Company's Portfolio as per MSCI at 30 September 2009 was:

Percentage classification of assets based on valuation

	Russia	Hungary	Poland	Czech Republic	Turkey	Other Countries	Net Current Assets	Total 2009	Total 2008
Consumer Discretionary	–	–	1.8	–	–	–	–	1.8	1.4
Consumer Staples	0.9	–	–	–	0.4	0.9	–	2.2	2.1
Energy	25.4	0.5	–	–	3.3	–	–	29.2	30.9
Financials	8.1	3.8	6.2	1.9	9.1	–	–	29.1	29.9
Healthcare	1.1	0.9	–	–	–	–	–	2.0	0.9
Industrials	0.3	–	0.7	–	1.8	–	–	2.8	2.6
Materials	8.9	–	–	–	–	3.0	–	11.9	9.5
Telecommunication Services	9.2	–	–	–	0.5	–	–	9.7	12.9
Utilities	0.9	–	–	6.2	–	–	–	7.1	6.2
Total equity investment	54.8	5.2	8.7	8.1	15.1	3.9	–	95.8	96.4
Net current assets	–	–	–	–	–	–	4.2	4.2	3.6
Total 2009	54.8	5.2	8.7	8.1	15.1	3.9	4.2	100.0	–
Total 2008	54.4	2.3	12.0	9.6	10.1	8.0	3.6	–	100.0

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Baring Asset Management Limited

23 November 2009

Report of the Directors (incorporating the business review)

The Directors submit to the shareholders their business review, report and the audited financial statements of the Company for the year ended 30 September 2009.

1. Business review

Business and tax status

The Company carries on business as an investment trust and as such it has received specific approval from the Inland Revenue under the provisions contained in Section 842 of the Income and Corporation Taxes Act 1988. In the opinion of the Directors the Company has subsequently directed its affairs so as to enable it to continue to seek such approval.

The Company is an investment company as defined in Section 833 of the Companies Act 2006.

The Company is managed by external parties in respect of investment management, custodial services and the day-to-day accounting and company secretarial requirements. Investment management services are provided by Baring Asset Management Limited ("Barings") and details of the agreement with Barings are given in note 3 to the accounts. The Custodian is State Street Bank & Trust Company Limited. Secretarial services are provided by Northern Trust Global Services Limited. The Company has no employees. The Directors are all non-executive.

Investment objective

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

Investment policy

The policy of the Directors is that, in normal market conditions, the portfolio of the Company should consist primarily of diversified securities listed or traded on Emerging European securities markets (including over the counter markets, which, in the Company's case, would include the Russian Trading System). Equity securities for this purpose include equity-related instruments such as preference shares, convertible securities, options, warrants and other rights to subscribe for or acquire, or relating to, equity securities. The Company may also invest in debt instruments such as bonds, bills, notes, certificates of deposit and other debt instruments issued by private and public sector entities in Emerging Europe.

In addition, Emerging European exposure may be obtained by indirect means. Investments may, for example, be made in securities of companies listed on securities markets outside Emerging Europe that derive, or are expected by the Directors to derive, the majority of their revenues and/or profits and/or growth from activities in Emerging Europe.

The Company may also invest in other funds in order to gain exposure to Emerging Europe where, for example, such funds afford one of the few practicable means of access to a particular market, or where such a fund represents an attractive investment in its own right. The Company will not invest more than 5% of its gross assets in other UK listed investment companies (including investment trusts).

The Company may from time to time invest in unquoted securities, but the amount of such investment is not expected to be material. Furthermore the Board has agreed that the maximum exposure to unquoted securities should be restricted to 5% of the Company's net assets.

Report of the Directors (cont'd)

For the purposes of this investment policy the Board has defined Emerging Europe as the successor countries of the former Soviet Union, Poland, Hungary, the Czech Republic, Slovakia, Turkey, the States of former Yugoslavia, Romania, Bulgaria and Albania. There is no restriction on the proportion that may be invested in these countries.

In addition the Board has agreed that up to 2% of the total assets may be invested in other countries provided that any investments made are companies listed on a regulated stock exchange.

In order to comply with the provisions contained in Section 842 of the Income and Corporation Taxes Act 1988 no investment in a company should represent more than 15% by value of the Company's total portfolio except for subsequent market movements in the value of that investment. Furthermore the Board has agreed that the maximum value of any one investment should not exceed 12% of the Company's total portfolio save with the prior written consent of the Board. Where excess occurs due to market movement the manager will notify the Board of this and will reduce the holding to below 12% within six months.

In addition to the above restriction on investment in a single Company the Board seeks to achieve a spread of risk in the portfolio through monitoring the country and sector weightings of the portfolio. There will be a minimum of 30 stocks in the portfolio.

The Company's Articles provide that the Company may borrow an amount equal to its share capital and reserves. At 30 September 2009, the only loan facility in place was a US\$10 million unsecured loan and overdraft facility with State Street Bank and Trust Company Limited which is used principally to cover timing differences on portfolio transactions. The Board was negotiating a short-term gearing facility of up to US\$60m. But, given the lack of availability of suitable finance, the Board is now examining the possibility of using the futures markets to achieve the same aim. The Board believes that the markets in which the Company invests are too volatile to warrant long-term gearing.

Dividends

The Board does not seek to target any particular level of dividend, and intends rather to distribute by way of dividend most of the net earnings available for this purpose. The Board recommends an annual dividend of 8.50p per share compared with 9.00p for the previous period. Subject to the approval of the Annual General Meeting, the recommended annual dividend will be paid on 4 February 2010 to members on the register at the close of business on 8 January 2010. The shares will be marked ex-dividend on 6 January 2010.

Discount

The Directors have adopted a firm policy with regard to the market rating of the Company's shares. At all times the Board will seek to limit the discount to NAV at which the Company's shares trade to a level significantly lower than the 12% trigger level referred to in the next paragraph, using as necessary the Company's share repurchase authority. During the year ended 30 September 2009, 2,782,796 shares were repurchased at a cost of £12,383,000 (2,061,202 shares were repurchased during the year ended 30 September 2008 at a cost of £18,491,000). Any shares repurchased will either be held in treasury and may be issued at a later date at or above net asset value, or cancelled.

If the average closing mid-market price at which the Company's shares trade in the market in the period of ninety days prior to the publication of the Company's preliminary results each year represents a discount to NAV which exceeds 12%, the Company will offer to repurchase, by way of tender available to all shareholders, up to 15% of the outstanding issued share capital at 95% of NAV (after taking account of any expenses including the costs of selling investments in order to fund the repurchase).

Report of the Directors (cont'd)

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives of which the most important are as follows:

- **Performance against the peer group**

The Board monitors performance relative to a broad range of competitor funds, as defined by the Morningstar Emerging Europe Universe. In the year ended 30 September 2009 the Company was ranked 27th out of 82 funds in this universe. Over three years to 30 September 2009 it was ranked 8th out of 68 funds and over five years it was ranked 4th out of 57 funds.

- **Performance against the benchmark index**

A chart of NAV performance versus benchmark for the five years ended 30 September 2009 (total return) is set out in the Directors' Remuneration Report on page 25.

- **Discount to NAV**

In the year ended 30 September 2009 the shares traded at an average discount of 8.3%.

- **Total Expense Ratio ("TER")**

The TER is an expression of the Company's management fees and other operating expenses as a percentage of average net assets over the year. The TER for the year ended 30 September 2009 was 1.36% excluding performance fee and the effect of VAT recovered (2008: 1.17%). A performance fee of £1,012,000 is payable in respect of the year ended 30 September 2009 (2008: £128,000). The Board reviews each year an analysis of the Company's TER and a comparison with its peers.

Principal risks

The key risks to the Company fall broadly under the following categories:

- **Investment and strategy**

The Board regularly reviews the investment mandate and long-term investment strategy in relation to the market and economic conditions. The Board also regularly monitors the Company's investment performance against the benchmark and the peer group and its compliance with the investment guidelines.

- **Accounting, legal and regulatory**

In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ("Section 842"). A breach of Section 842 in an accounting period could lead to the Company being subject to corporation tax on gains realised in that accounting period. Section 842 qualification criteria are continually monitored by Baring Asset Management Limited and the results reported to the Board at its regular meetings. The Company must also comply with the Companies Act and the UKLA Listing Rules. The Board relies on the services of the administrator, Northern Trust Global Services Limited and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules.

- **Loss of investment team or Investment Manager**

A sudden departure of the Investment Manager or several members of the investment management team could result in a short-term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach, as well as special efforts to retain key personnel.

Report of the Directors (cont'd)

■ Discount

A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. The Board regularly discusses discount policy and has set parameters for the Company's broker to follow with regard to the buy-back of shares.

■ Corporate governance and shareholder relations

Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Report on pages 17 to 21.

■ Operational

Like most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager and the Company's service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These are regularly tested and monitored. The custodian and the Investment Manager also produce annual reports on internal controls which are reviewed by their respective auditors and give assurance regarding the effective operation of controls.

■ Financial

The financial risks faced by the Company are disclosed in note 20 on pages 41 to 44.

2. Directors

The present Directors are listed below and on page 2. They are all non-executive and have all served throughout the year.

Iain Saunders (62) spent 30 years with the Fleming group until his retirement in 2001, latterly as deputy chairman of Robert Fleming Asset Management. He is at present chairman of MB Asia Select and a number of JPMorgan UCITS funds. He was appointed Chairman of Baring Emerging Europe PLC on 11 October 2002 and had been a director of the predecessor company, The Baring Emerging Europe Trust PLC, since 2001.

Steven Bates (52) spent 18 years with the Fleming group until 2002, latterly as co-head of emerging markets of JPMorgan Fleming Asset Management. He has extensive experience in both emerging and developed markets. He is a director of Zephyr Management UK Limited which is a specialist asset management business and is also the chief investment officer of Salisbury Partners. He is also on the boards of a number of financial companies involved in emerging markets. He was appointed a Director of Baring Emerging Europe PLC on 27 January 2003.

John Cousins (69) was formerly chief executive of BZW Puget Mahé in Paris and managing director of BZW Equities in London. Prior to that, he held various posts with Kleinwort Benson and has over 30 years of experience in international equity investment. He is a former chairman of the International Equity Rules and Compliance Committee of the London Stock Exchange. He was appointed a director of Baring Emerging Europe PLC on 11 October 2002 and had been a director of The Baring Emerging Europe Trust PLC since 1994.

Josephine Dixon (50) is a director of Finsbury Worldwide Pharmaceutical Trust PLC, and is a Chartered Accountant who has previously held a number of senior executive positions, including that of finance director in a publicly quoted company. She is also a member of the Greenwich Hospital Trust. She was appointed a Director of Baring Emerging Europe PLC on 5 July 2004.

Report of the Directors (cont'd)

Saul Estrin (57) is a Professor and Head of the Department of Management at the London School of Economics where he is a specialist on emerging markets. He was formerly a Professor at the London Business School and Research Director of the Centre for New and Emerging Markets, which analysed the prospects for private sector development and business opportunities in emerging markets. He has written numerous books and articles on emerging economies. He was appointed a Director of Baring Emerging Europe PLC on 5 July 2004.

Jonathan Woollett (52) spent 10 years with the European Bank for Reconstruction and Development ("EBRD") in London until January 2008 where he was responsible for the EBRD's non-bank financial institutions activities in Central and Eastern Europe. Prior to that he was a director at Credit Suisse Asset Management where he was responsible for the establishment of asset management and mutual fund businesses in Central and Eastern Europe. Prior to Credit Suisse, he worked for UBS and started his banking career with Deutsche Bank in 1979. He was appointed a Director of Baring Emerging Europe PLC on 23 July 2008.

In accordance with the Articles of Association John Cousins retires by rotation and being eligible, offers himself for re-election. Iain Saunders also retires by rotation but is not seeking re-election.

The Directors' interests in the Company's shares, as shown in the register kept pursuant to Section 325 of the Companies Act 1985, are stated below:

	2 December 2009	30 September 2009	30 September 2008
Beneficial:			
Iain Saunders	75,000	75,000	30,000
Steven Bates	3,000	3,000	3,000
John Cousins	—	—	—
Josephine Dixon	2,325	2,325	2,325
Saul Estrin	1,000	1,000	1,000
Jonathan Woollett	3,000	3,000	—

There were no contracts or arrangements subsisting during or at the end of the financial year in which any Director is or was materially interested. No Director held a shareholding in any of the investments in the Company's portfolio during the year ended 30 September 2009.

3. Substantial shareholdings

At 2 December 2009, the Company had received notification of the following disclosable interests in the ordinary share capital of the Company:

City of London Investment Management Ltd	5,229,808 shares	14.37%
Sarasin & Partners LLP	4,085,686 shares	11.23%
Legal & General Group plc	1,406,000 shares	3.86%

Report of the Directors (cont'd)

4. Corporate governance

Introduction

The Board is accountable to the Company's shareholders for the governance of the Company's affairs and this statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in 2008 have been applied to the affairs of the Company. In applying the principles of the Code, the directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code"), which has established a framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more appropriate for investment trust companies.

Applications of the Code's principles

The Board is committed to high standards of corporate governance and seeks to observe the principles and supporting principles identified in the Code and, where appropriate, the principles identified in the AIC Code. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus not all the provisions of the Code are directly applicable to the Company.

The Board

The Board currently consists of six non-executive Directors and is chaired by Iain Saunders. All the Directors are considered by the Board to be independent of the Investment Manager. Their biographies are set out on pages 15 and 16. Collectively the Board has the requisite range of business and financial experience which enables it to provide clear and effective leadership and proper stewardship of the Company.

The number of meetings of the Board, the Audit Committee and the Nomination Committee held during the financial year and the attendance of individual Directors are shown below:

	Board	Audit Committee	Nomination Committee
Number of meetings in the year	4	2	1
Iain Saunders	4	2	1
Steven Bates	4	2	1
John Cousins	4	2	1
Josephine Dixon	4	2	1
Saul Estrin	4	2	1
Jonathan Woollett	4	2	1

All of the Directors attended the Annual General Meeting held in January 2009.

The Board deals with the Company's affairs, including the consideration of overall strategy, the setting and monitoring of investment policy and the review of investment performance. The Investment Manager takes decisions as to asset allocation and the purchase and sale of individual investments. The Board papers circulated before each meeting contain full information on the financial condition of the Company. Key representatives of the Investment Manager attend most of the Board meetings, enabling Directors to probe further or seek clarification on matters of concern.

Report of the Directors (cont'd)

Matters specifically reserved for discussion by the full Board have been defined and a procedure adopted for the Directors to take independent professional advice if necessary at the Company's expense.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been identified as the Board is comprised entirely of non-executive Directors.

At every Annual General Meeting any Director:

- (i) who has been appointed by the Board since the last Annual General Meeting; or
- (ii) who has held office at the time of the two preceding Annual General Meetings and who did not retire at either of them; or
- (iii) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members.

Performance evaluation/re-election of Directors

An appraisal process has been established in order to review the effectiveness of the Board, the Committees and individual directors. This process involves the consideration by the Chairman and the Board of responses from individual directors to a questionnaire which is completed on an annual basis. In addition the other directors meet collectively once a year to evaluate the performance of the Chairman. As a result of this evaluation, the Nomination Committee recommends the re-election of John Cousins who retires by rotation and offers himself for re-election at the Annual General Meeting. John Cousins is required to seek annual re-election to the Board as he has served for more than nine years when his service on the board of The Baring Emerging Europe Trust PLC (the predecessor company) is included. John Cousins continues to make a significant contribution to the Board's deliberations and the Nomination Committee is satisfied that his independence is not affected by his length of service.

The performance of the Company is considered in detail at each Board meeting.

Board committees

The Board believes that the interests of shareholders in an investment trust company are best served by limiting its size so that all Directors are able to participate fully in all the activities of the Board. It is for this reason that the membership of the Audit and Nomination Committees is the same as that for the Board as a whole.

Audit Committee

Jo Dixon is the Chairman of the committee which meets at least twice a year and is responsible for reviewing the annual and interim reports, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the Auditors, including their remuneration and the provision of any non-audit services. Non audit services provided by the Auditors mainly comprised work on the Company's taxation affairs. The committee has considered the independence of the Auditors and the objectivity of the audit process and is satisfied that KPMG Audit Plc has fulfilled its obligations to shareholders. It also regularly reviews the terms of the different service providers to the Company including contracts with the Investment Manager, the Company Secretary and the Custodian. The Audit Committee meets representatives of the Investment Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate. The Company's external Auditors also attend this committee at its request and report on their findings in relation to the Company's statutory audit.

Report of the Directors (cont'd)

As the Company has no employees, section C.3.4 of the Code, which deals with arrangements for staff to raise concerns in confidence about possible improprieties in respect of financial reporting or other matters, is not directly relevant to it. The Audit Committee has however, confirmed with the Investment Manager and the administrator that they do have "whistle blowing" policies in place for their staff.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the financial statements.

Nomination Committee

The Committee, which meets at least annually, reviews the Board's size and structure and is responsible for Board succession planning.

Remuneration

The Board as a whole considers Directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all Directors are non-executive, the Company is not required to comply with the Code in respect of executive Directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on page 25.

Internal controls

The Board has established a process for identifying, evaluating and managing significant risks faced by the Company. The process is subject to regular review by the Board and accords with "Internal Control: Guidance for Directors on the Combined Code" ("The Turnbull guidance") which was issued in September 1999 and revised in September 2005.

The Directors are responsible for the Company's system of internal control which is designed to safeguard shareholders' investment and the Company's assets. These systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Turnbull guidance recommends a risk-based approach to the assessment of internal controls. The Board has completed a risk map for the Company and established procedures for the monitoring and review of the risks identified. The Board as a whole is primarily responsible for the monitoring and review of risks associated with investment matters and the Audit Committee is primarily responsible for other risks.

As the Board has contractually delegated to external parties the investment management, the custodial services and the day-to-day accounting and company secretarial requirements, the Company relies significantly upon the internal controls operated by those companies. Therefore the Directors have concluded that the Company should not establish its own internal audit function. The Board continues to monitor its system of internal control in order to ensure it operates as intended and the directors review annually whether an internal audit function is required. Investment management services are provided by Baring Asset Management Limited ("Barings") and details of the agreement with Barings are given in note 3 to the accounts. The Custodian is State Street Bank & Trust Company Limited. Secretarial services are provided by Northern Trust Global Services Limited.

The risk map has been considered at all regular meetings of the Board and Audit Committee. As part of the risk review process, regular reports are received from the Investment Manager on all investment matters including compliance with the investment mandate, the performance of the portfolio compared with the benchmark and compliance with investment trust status requirements.

Report of the Directors (cont'd)

The Board also receives and reviews annual reports from the Investment Manager and the Custodian on their internal controls and their operation. These reports are designed to provide details of the internal control procedures operated by the relevant entity and include a report by an independent reporting accountant.

The Board confirms that appropriate procedures to review the effectiveness of the Company's system of internal control have been in place which cover all controls including financial, operational and compliance controls and risk management. An assessment of internal control, which includes a review of the Company's risk map, an assessment of the quality of reports on internal control from the service providers and the effectiveness of the Company's reporting process, is carried out on an annual basis.

Accountability and audit

Set out on page 26 is a statement by the Directors of their responsibilities in respect of the accounts. The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts, as the assets of the Company consist mainly of securities which are readily realisable.

As noted earlier, an Audit Committee has been established consisting of independent Directors.

The Board as a whole regularly reviews the terms of the management and secretarial contracts.

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 Auditors are unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The Directors were covered by directors' and officers' insurance that was in place during the financial year and at the date of this report.

Relations with shareholders

The Board regularly reviews the Investment Manager's contacts with the Company's shareholders and monitors its shareholder profile. The Board supplements this with some direct contact with shareholders and is available to speak with any shareholder who wishes to do so. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting and the Chairman of the Board chairs the meeting. Details of the proxy votes received in respect of each resolution are made available to shareholders at the meeting. The Investment Manager attends to give a presentation to the meeting. A quarterly newsletter is produced by the Investment Manager and is available to shareholders.

If a shareholder would like to contact the Board directly, he or she should write to the Chairman at 155 Bishopsgate, London EC2M 3XY and mark their letter private and confidential.

Evaluation of performance of Investment Manager

Investment performance is reviewed at each regular Board meeting at which representatives of the Investment Manager are required to provide answers to any questions raised by the Board. The Board has instigated an annual formal review of the Investment Manager which includes consideration of:

- performance compared with benchmark and peer group;
- investment resources dedicated to the Company;
- investment management fee arrangements and notice period compared with the peer group; and
- marketing effort and resources provided to the Company.

Report of the Directors (cont'd)

The Board believes that Baring Asset Management Limited has served the Company well both in terms of investment performance and general support and will continue its appointment.

Statement of compliance

The Board considers that it has complied with all the material provisions set out in Section 1 of the Code throughout the year. It did not, however, comply with the following provisions as explained above:

- due to the small size of the Board and nature of the business a separate remuneration committee has not been established;
- a senior non-executive Director has not been identified; and
- the Chairman is a member of the Audit Committee.

5. VAT on management fees

On 30 June 2009, the Company received the repayment of £960,000 of VAT on management fees incurred since 31 March 2005 and subsequently received a further amount of £79,000 in respect of interest. An additional reclaim covering the period prior to March 2005 has been submitted, details of which are set out in note 21 to the financial statements on page 44.

6. Creditor payment policy

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by the terms. As an investment trust, the Company does not transact business of a trading nature. There were no trade creditors at 30 September 2009.

7. Socially responsible investment

The Board has delegated the investment management function to Baring Asset Management Limited. The Investment Manager's primary objective is to produce superior financial returns to investors. It believes that over the long term sound social, environmental and ethical policies make good business sense and takes these issues into account when, in its view, they have a material impact on either the investment risk or the expected return from an investment.

8. Exercise of voting powers

The Board has delegated authority to the Investment Manager to vote the shares held by the Company in accordance with current best practice. Wherever practical the Investment Manager does vote the shares, but in the markets where the Company invests this is not always feasible. The Investment Manager may refer to the Board on any matters of a contentious nature.

9. Annual General Meeting ("AGM")

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Report of the Directors (cont'd)

The AGM will be held on Tuesday, 19 January 2010 at 2:30pm. The formal notice of the AGM is set out on pages 45 and 48. Separate resolutions are proposed for each substantive issue. Resolutions relating to the following items of special business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Act 2006.

Authorities to allot shares and to disapply pre-emption rights (resolutions 7 and 8)

Approval is sought to give the Board the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £181,960.20 (representing 1,819,602 ordinary shares of £0.10 each). This amount represents 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 2 December 2009, being the latest practicable date prior to publication of the notice of meeting on pages 45 to 48 (the "Notice").

As at the date of the Notice, 3,318,207 ordinary shares are held by the Company in treasury. This amount represents 9.12% of the total ordinary share capital in issue (excluding treasury shares) as at the latest practicable date prior to publication of the Notice.

The Directors do not intend to allot ordinary shares pursuant to this power other than to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's existing shareholders to do so.

Resolution 8 would, if passed, give the Board the authority to allot shares (or sell any shares held in treasury) for cash on a non-pre-emptive basis up to an aggregate amount of £198,551.20. This amount represents 1,985,512 shares and is approximately 5% of the total share capital of the Company in issue (including treasury shares) as at the latest practicable date before publication of the Notice. This power will not be utilised when it would result in any dilution of the net asset value per ordinary share.

In respect of this amount, the Board confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three year period. The Principles provide that usage in excess of 7.5% of share capital should not take place without prior consultation with shareholders.

The full text of the resolutions is set out in the Notice.

If Resolutions 7 and 8 are approved, the authorities will expire at the conclusion of the AGM in 2011.

Authority to purchase own shares (resolution 9)

At the AGM held on 13 January 2009, shareholders renewed the Director's authority to buyback up to 14.99% of the Company's ordinary shares. Pursuant to this authority, a total of 2,782,796 shares were purchased and cancelled during the year under review. This represented 7.05% of the issued share capital at 30 September 2009. The prices paid for these shares ranged from 311.53p to 679.00p and the total cost amounted to £12,383,000. A further 241,657 shares have been brought back since the Company's year end.

The Board proposes that the Company should be given renewed authority to purchase ordinary shares in the market either for cancellation or to be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the Companies Act.

The Directors consider that the renewal of this authority is in the interests of shareholders as a whole as the repurchase of ordinary shares at a discount to their net asset value ("NAV") would enhance the NAV of the remaining ordinary shares. Accordingly a special resolution will be proposed at the AGM to authorise the Company to make market purchases of up to 14.99% of the ordinary shares in issue, equivalent to 5,455,168 ordinary shares as at 2 December 2009, being the latest practicable date prior to publication of the Notice. Under the Listing Rules of the Financial Services authority, this is the maximum percentage of its equity share capital that a company may purchase through the market pursuant to such authority.

Report of the Directors (cont'd)

Purchases of shares will be made within guidelines set from time to time by the Board and will only be made in the market at prices below the prevailing NAV and, in any event, not below a minimum price of £0.10 per share.

The authority for the Company to purchase its own ordinary shares will, by virtue of the Treasury Share Regulations 2003 and the Companies (Share Capital and Acquisition by a Company of its Own Shares) Regulations 2009, allow the Company to hold ordinary shares so purchased in treasury, as an alternative to immediate cancellation.

Any exercise by the Company of the authority to purchase shares will occur only when market conditions are appropriate. Purchases will be funded either by using available cash resources, debt or by selling investments.

This authority shall expire at the earlier of the conclusion of the AGM in 2011 or 12 July 2011, unless such authority has been renewed prior to such time.

The full text of the resolution is set out in the Notice of Meeting on pages 45 and 46.

Adoption of new Articles of Association (resolution 10)

It is proposed in resolution 10 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix of the Notice. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 and the Shareholders' Rights Regulations, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in the Appendix of the Notice. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 48 of this document.

The Board considers that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that you vote in favour of them.

10. Conflict of interest

Section 175 of the Companies Act 2006, which came in to effect on 1 October 2008, introduced a duty for directors to avoid unauthorised conflicts of interest. The Articles of Association approved by Resolution 2 at the General Meeting held on 15 January 2008 allows the Directors to authorise such conflicts and potential conflicts, where appropriate. The Board has expanded the terms of reference of the Audit Committee to review conflicts and potential conflicts and make recommendations to the Board as to whether any such conflicts should be authorised.

Report of the Directors (cont'd)

11. Companies Act 2006 Disclosures

In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

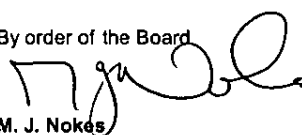
- the Company's capital structure is summarised on page 39, voting rights are summarised on page 47, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there exist no securities carrying special rights with regard to the control of the Company;
- details of the substantial shareholders in the Company are listed on page 16;
- the Company does not have an employees' share scheme;
- the rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

The Board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply. Notwithstanding, the Investment Manager takes into account these considerations when making investment decisions and determines its voting instructions at investee company meetings accordingly.

12. Auditors

The Company's Auditors, KPMG Audit Plc, have indicated their willingness to continue in office. Resolutions for their re-appointment and to authorise the Board to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board



M. J. Nokés

Secretary

3 December 2009

Directors' Remuneration Report

for the year ended 30 September 2009

This report is presented in accordance with Section 421 of the Companies Act 2006. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the level of fees paid to Directors, which are reviewed on a periodic basis, is dealt with by the whole Board.

The Company's Articles of Association limits the aggregate fees payable to the Board of Directors to a total of £175,000. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil, and the time committed to the Company's affairs.

No Director has a service contract with the Company.

During the year ended 30 September 2009 the Chairman received a fee of £30,000 per annum, the Chairman of the Audit Committee received a fee of £25,000 per annum and other Directors £22,500 per annum.

The Company does not provide pension benefits, share options or long-term incentive schemes for Directors.

Directors' emoluments for the year (audited)

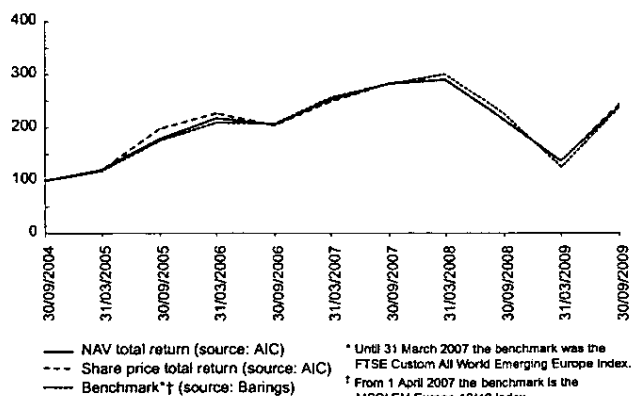
The Directors who served during the year received the following emoluments in the form of fees:

	2009	2008
	£000	£000
Iain Saunders	30.0	30.0
Steven Bates	22.5	22.5
John Cousins	22.5	22.5
Josephine Dixon	25.0	25.0
Saul Estrin	22.5	22.5
Jonathan Woollett (appointed as a Director on 23 July 2008)	22.5	4.3
Total	145.0	126.8

Share price performance

The following graph compares the share price and net asset value performance against the benchmark[†]:

5 year performance versus benchmark



Approval

A resolution for the approval of the Directors' Remuneration Report for the year ended 30 September 2009 will be proposed at the Annual General Meeting.

By order of the Board

M. J. Nokes

Secretary

3 December 2009

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual 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, the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 UK 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 confirm that they comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The financial statements are published on the www.bee-plc.com website, which is maintained by the Company's Manager, Baring Asset Management Limited. The maintenance and integrity of the website maintained by Baring Asset Management Limited is, so far as it relates to the Company, the responsibility of Baring Asset Management Limited. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors each confirm to the best of their knowledge that:

- a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) this Annual 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 it faces.

For and on behalf of the Board.

Iain Saunders

Chairman

3 December 2009

Independent Auditors' Report

to the members of Baring Emerging Europe PLC

We have audited the financial statements of Baring Emerging Europe PLC for the year ended 30 September 2009 set out on pages 29 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. 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 Auditors' 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 Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report (cont'd)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 26, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review.



Neil Palmer (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

8 Salisbury Square

London

EC4Y 8BB

3 December 2009

Income statement

(incorporating the Revenue Account*) for the year ended 30 September 2009

	Notes	Year ended 30 September 2009			Year ended 30 September 2008		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains/(losses) on							
investments held at fair							
value through profit or loss	10	–	15,228	15,228	–	(87,107)	(87,107)
Income	2	5,834	7	5,841	10,147	–	10,147
Investment management fee							
and performance fee	3	(1,570)	(1,012)	(2,582)	(3,142)	(128)	(3,270)
VAT recovered from HMRC							
on management fees	4	870	90	960	–	–	–
Other expenses	5	(1,155)	–	(1,155)	(1,393)	–	(1,393)
Net return before finance							
costs and taxation		3,979	14,313	18,292	5,612	(87,235)	(81,623)
Finance costs	6	(17)	–	(17)	(8)	–	(8)
Return on ordinary activities							
before taxation		3,962	14,313	18,275	5,604	(87,235)	(81,631)
Taxation	7	(561)	–	(561)	(1,449)	–	(1,449)
Return attributable to							
ordinary shareholders		3,401	14,313	17,714	4,155	(87,235)	(83,080)
Return per ordinary share	9	8.99p	37.84p	46.83p	10.28p	(215.84)p	(205.56)p

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

All revenue and capital items in the above statement derive from continuing operations.

The annexed notes on pages 33 to 44 form part of these accounts.

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

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

Balance sheet

as at 30 September 2009

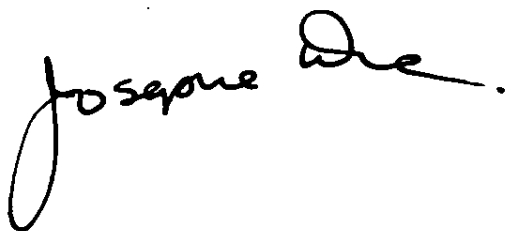
	Notes	2009 £000	2008 £000
Non current assets			
Investments at fair value through profit or loss	10	271,189	270,697
Current assets			
Debtors	11	3,567	8,978
Cash at bank and in hand		11,125	5,878
		14,692	14,856
Creditors: amounts falling due within one year	12	(3,591)	(5,139)
Net current assets		11,101	9,717
Net assets		282,290	280,414
Capital and reserves			
Called-up share capital		3,995	4,273
Share premium account		1,411	1,411
Special reserve		31,792	44,175
Redemption reserve		793	515
Capital reserve		239,317	225,004
Revenue reserve		4,982	5,036
Total equity shareholders' funds		282,290	280,414
Net asset value per share	14	770.57p	711.41p

The financial statements on pages 29 to 44 were approved by the Board on 3 December 2009 and signed on its behalf by:

Josephine Dixon

Director

The annexed notes on pages 33 to 44 form part of these accounts.



Reconciliation of movement in shareholders' funds

for the year ended 30 September 2009

	Called-up share capital £000	Share premium account £000	Special reserve £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
For the year ended							
30 September 2009							
Beginning of year	4,273	1,411	44,175	515	225,004	5,036	280,414
Return for the year	–	–	–	–	14,313	3,401	17,714
Buyback of own shares for cancellation	–	–	(12,383)	–	–	–	(12,383)
Transfer to capital redemption reserve	(278)	–	–	278	–	–	–
Dividends paid	–	–	–	–	–	(3,455)	(3,455)
Balance at							
30 September 2009	3,995	1,411	31,792	793	239,317	4,982	282,290

	Called-up share capital £000	Share premium account £000	Special reserve £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
For the year ended							
30 September 2008							
Beginning of year	4,436	1,411	62,666	352	312,239	1,084	382,188
Return for the year	–	–	–	–	(87,235)	4,155	(83,080)
Buyback of own shares held in treasury	–	–	(13,422)	–	–	–	(13,422)
Buyback of own shares for cancellation	–	–	(5,069)	–	–	–	(5,069)
Transfer to capital redemption reserve	(163)	–	–	163	–	–	–
Dividends paid	–	–	–	–	–	(203)	(203)
Balance at							
30 September 2008	4,273	1,411	44,175	515	225,004	5,036	280,414

The annexed notes on pages 33 to 44 form part of these accounts.

Cashflow statement

for the year ended 30 September 2009

		Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Notes			
Operating activities			
Income received from investments		6,653	7,901
Interest received		16	343
Investment management fees and performance fees paid		(1,717)	(3,241)
VAT recovered (including interest thereon)		1,039	–
Other cash payments		(1,224)	(1,349)
Net cash inflow from operating activities	15	4,767	3,654
Servicing of finance			
Interest paid		(17)	(8)
Taxation			
Overseas tax paid		(728)	(1,449)
Financial investment			
Purchases of investments		(93,829)	(204,638)
Sales of investments		111,895	212,460
Net cash inflow from financial investment		18,066	7,822
Equity dividends paid		(3,455)	(203)
Net cash inflow before financing		18,633	9,816
Financing			
Buyback of ordinary shares		(13,386)	(17,487)
Net cash outflow from financing		(13,386)	(17,487)
Increase/(decrease) in cash	16	5,247	(7,671)

The annexed notes on pages 33 to 44 form part of these accounts.

Notes to the accounts

1. Accounting policies

A summary of the principal policies, all of which have been applied consistently throughout the year, is set out below:

(a) Basis of accounting

These financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable United Kingdom accounting standards and with the Statement of Recommended Practice issued in January 2003 (revised 2005) regarding the Financial Statements of Investment Trust Companies ("SORP").

(b) Valuation of investments

Upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, including expenses incidental to purchase. Subsequently the investments are valued at fair value which is bid market price for listed investments. Unquoted investments are included at a valuation determined by the Directors after discussion with the Investment Manager on the basis of the latest accounting and other relevant information.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within "Gains/(losses) from investments held at fair value through profit or loss". All purchases and sales are accounted for on a trade date basis.

Year-end exchange rates are used to translate the value of investments which are denominated in foreign currencies.

(c) Foreign currency

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve. Foreign exchange movements on fixed asset investments are included in the Income Statement within gains/(losses) on investments.

(d) Income

Investment income, which includes related taxation, has been accounted for on an ex-dividend basis or when the Company's right to the income is established.

Interest receivable on deposits is accounted for on an accruals basis.

(e) Expenses

All expenses are accounted for on an accruals basis and are charged as follows:

- the basic investment management fee is charged wholly to revenue;
- any investment performance bonus payable to Baring Asset Management Limited is charged wholly to capital;
- dealing costs are charged wholly to capital; and
- other expenses are charged wholly to revenue.

Notes to the accounts (cont'd)

1. Accounting policies (cont'd)

(f) Interest payable

Interest payable is accounted for on an accruals basis, and is charged wholly to revenue.

(g) Capital reserve

Gains or losses on disposal of investments and changes in fair values of investments are transferred to the capital reserve. Any investment performance fee payable to Baring Asset Management Limited is accounted for in the capital reserve.

(h) Special reserve

Pursuant to a special resolution passed on 8 November 2002, the Company's application to reduce its share premium account was approved by the High Court and registered with the Registrar of Companies on 18 December 2002. The amount of the reduction was £86,624,982, representing the share premium arising on the issue of shares by the Company on 17 December 2002. This amount was transferred to a special reserve which is available for the repurchase by the Company of its own shares.

(i) Taxation

The charge for taxation is based upon the net revenue for the year. The tax charge is allocated to the revenue and capital accounts according to the marginal basis whereby revenue expenses are first matched against taxable income arising in the revenue account; the effect of this for the year ended 30 September 2009 was that all the deductions for tax purposes went to the revenue account.

Deferred taxation will be recognised as an asset or a liability if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset will not be recognised to the extent that the transfer of economic benefit is uncertain.

2. Income

	2009 £000	2008 £000
Income from investments		
Unfranked – Quoted	5,746	9,911
Other income		
Deposit interest	16	236
Interest on VAT recovered from HMRC	79	–
	5,841	10,147

3. Investment management fee

Baring Asset Management Limited ("Barings") acts as Investment Manager of the Company under an agreement terminable by either party giving not less than six months' written notice. Under this agreement Barings receives a basic fee (charged to revenue) which is calculated monthly and payable at an annual rate of 0.8% of the net asset value of the Company. The Directors have decided upon a policy of non-allocation of the investment management fees and as such they have been charged wholly to the revenue account.

Notes to the accounts (cont'd)

3. Investment management fee (cont'd)

In addition under the agreement Barings is entitled to a performance fee (charged to capital) which is payable at the rate of 10% of the amount by which the change in the Company's net asset value per share (on a total return basis) exceeds the benchmark. The performance fee is capped at 0.6% of the net asset value of the Company on the first day of the performance period. The performance fee is calculated annually on 30 September. The whole of the performance fee is charged to the capital account as it is deemed to have arisen entirely as a result of the capital performance of the Company.

The investment management fee comprises:

	2009 £000	2008 £000
Basic fee (charged to revenue)	1,570	3,142
Performance fee (charged to capital):		
– provision for year	1,012	128
	2,582	3,270

At 30 September 2009, £1,187,000 (30 September 2008: £320,000) of this fee remained outstanding.

4. VAT recovered from HMRC on management fees

	2009 £000	2008 £000
Recovered in respect of basic management fees – Revenue	870	–
Recovered in respect of performance fees – Capital	90	–
	960	–

On 30 June 2009 the Company received £960,000 of VAT on management fees invoiced since 31 March 2005 which has been credited to the Company's revenue and capital accounts in accordance with the Board's policy for allocation of management fees and finance costs.

5. Other expenses

	2009 £000	2008 £000
Custody and administration expenses	952	1,234
Auditor's remuneration for:		
– audit	26	25
– other services	32	7
Directors' fees	145	127
	1,155	1,393

Notes to the accounts (cont'd)

6. Finance costs

	2009 £000	2008 £000
(All charged to revenue)		
On short-term loan and overdraft facility with State Street Bank & Trust Company repayable within 5 years, not by installments		
Bank overdraft	17	8
	17	8

7. Taxation

	Revenue £000	2009 Capital £000	Total £000	Revenue £000	2008 Capital £000	Total £000
(a) Current tax charge for the year:						
Overseas taxation (note 7(b))	561	–	561	1,449	–	1,449

(b) Factors affecting the current tax charge for the year

The taxation rate assessed for the year is different from the standard rate of corporation taxation in the UK. The differences are explained below:

	Revenue £000	2009 Capital £000	Total £000	Revenue £000	2008 Capital £000	Total £000
Return on ordinary activities before taxation	3,962	14,313	18,275	5,604	(87,235)	(81,631)
Return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 29%)	1,109	4,008	5,117	1,625	(25,298)	(23,673)
Effects of:						
Utilisation of overseas taxation	(548)	–	(548)	(176)	–	(176)
Capital gains not subject to tax	–	(4,264)	(4,264)	–	25,261	25,261
Excess management expenses unutilised	–	256	256	–	37	37
Current tax charge for the year	561	–	561	1,449	–	1,449

The Company is not liable to tax on capital gains due to its status as an investment trust.

Notes to the accounts (cont'd)

8. Dividend

	2009 Per share	2009 £000	2008 Per share	2008 £000
Annual dividend per ordinary share – proposed	8.50p	3,114	9.00p	3,547

9. Return per ordinary share

	Revenue	Capital	Total 2009	Revenue	Capital	Total 2008
Return per ordinary share	8.99p	37.84p	46.83p	10.28p	(215.84)p	(205.56)p

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £3,401,000 (2008: £4,155,000).

Capital return per ordinary share is based on net capital profits for the financial year of £14,313,000 (2008: net capital losses of £87,235,000).

These calculations are based on the weighted average of 37,820,907 (2008: 40,416,633 shares) ordinary shares in issue during the year.

At 30 September 2009 there were 36,633,709 ordinary shares of 10p each in issue (2008: 39,416,505) which excludes 3,318,207 ordinary shares held in treasury (2008: 3,318,207 shares held in treasury). The shares held in treasury are treated as not being in issue when calculating the weighted average of ordinary shares in issue during the year.

10. (i) Fixed asset investments

Country of listing	Quoted overseas £000	Total 2009 £000	Quoted overseas £000	Total 2008 £000
Czech Republic	23,040	23,040	25,841	25,841
Hungary	14,872	14,872	6,278	6,278
Poland	24,661	24,661	32,512	32,512
Russia	154,493	154,493	152,897	152,897
Turkey	42,935	42,935	36,014	36,014
Other	11,188	11,188	17,155	17,155
Total	271,189	271,189	270,697	270,697

Notes to the accounts (cont'd)

10. (ii) Movements in the year

	Quoted overseas £000	Unquoted £000	Total 2009 £000	Quoted overseas £000	Unquoted £000	Total 2008 £000
Book cost at beginning of year	246,756	157	246,913	215,733	157	215,890
Gains/(losses) on investments held at beginning of year	23,941	(157)	23,784	154,550	(34)	154,516
Valuation at beginning of year	270,697	–	270,697	370,283	123	370,406
Movements in year:						
Purchases at cost	92,488	–	92,488	199,244	–	199,244
Sales proceeds	(107,020)	(204)	(107,224)	(211,846)	–	(211,846)
(Losses)/gains on investments sold in year	(30,400)	151	(30,249)	43,623	–	43,623
Gains/(losses) on investments held at year end	45,424	53	45,477	(130,607)	(123)	(130,730)
Valuation at end of year	271,189	–	271,189	270,697	–	270,697

Expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from sales proceeds. These expenses amounted to £369,000 for the year ended 30 September 2009 (2008: £645,000).

10. (iii) Gains/(losses) on investments

	2009 £000	2008 £000
(Losses)/gains on investments sold in the year	(30,249)	43,623
Gains/(losses) on investments held at year end	45,477	(130,730)
Total gains/(losses) on investments	15,228	(87,107)

A list of the Company's investments by market value is shown on page 9 and a geographical and industrial classification of the investment portfolio is shown on page 11.

11. Debtors

	2009 £000	2008 £000
Amounts due within one year		
Amounts due from brokers	1,402	6,073
Prepayments and accrued income	1,998	2,905
Other debtors	167	–
	3,567	8,978

Notes to the accounts (cont'd)

12. Creditors

	2009 £000	2008 £000
Amounts falling due within one year		
Purchases for future settlement	2,179	3,520
Other creditors	1,412	1,619
	3,591	5,139

Since November 2003, the Company has had a US\$10 million unsecured loan and overdraft facility with State Street Bank and Trust Company. Under this facility, the Company may draw up to a maximum principal amount of US\$10 million in varying proportions and for varying periods at prevailing interest rates.

13. Called-up share capital

	2009 £000	2008 £000
Authorised		
199,500,000 ordinary shares of £0.10	19,950	19,950
50,000 redeemable preference shares of £1.00	50	50
	20,000	20,000
	2009 £000	2008 £000
Authorised, issued and fully paid up		
39,951,916 (2008: 42,734,712) ordinary shares of £0.10 (fully paid)	3,995	4,273

During the year 2,782,796 ordinary shares were repurchased for cancellation for £12,383,000 (2008: 625,194 ordinary shares were repurchased for cancellation for £5,069,000). During the year no ordinary shares were repurchased to be held in treasury (2008: 1,436,008 ordinary shares were repurchased for £13,422,000, to be held in treasury) and no ordinary shares which were held in treasury were cancelled (2008: 1,000,000 ordinary shares which were held in treasury were cancelled). The Company holds 3,318,207 ordinary shares in treasury which are treated as not being in issue when calculating the number of ordinary shares in issue during the year (2008: 3,318,207 ordinary shares were held in treasury). Shares held in treasury are non-voting and not eligible for receipt of dividends.

Notes to the accounts (cont'd)

14. Net asset value per share

Total shareholders' funds and the net asset value per share attributable to the ordinary shareholders at the year-end calculated in accordance with the Articles of Association were as follows:

	2009	2008
Total shareholders' funds (£000)	282,290	280,414
Net asset value (pence per share)	770.57p	711.41p

The net asset value per share is based on total shareholders' funds above, and on 36,633,709 ordinary shares in issue at the year-end (2008: 39,416,505 ordinary shares in issue) which excludes 3,318,207 ordinary shares held in treasury (2008: 3,318,207 ordinary shares held in treasury). The ordinary shares held in treasury are treated as not being in issue when calculating the net asset value per share.

15. Reconciliation of net return before finance costs and taxation to net cash outflow from operating activities

	2009 £000	2008 £000
Net revenue return before finance costs and taxation	18,292	(81,623)
Net capital return before finance costs and taxation	(14,313)	87,235
Decrease/(increase) in accrued income	907	(1,903)
Increase in sundry creditors	796	22
Decrease in debtors	–	51
VAT recovered from HMRC (including interest thereon) capitalised	97	–
Performance fee capitalised	(1,012)	(128)
Net cash inflow from operating activities	4,767	3,654

16. Analysis of changes in cash during the year

	2009 £000	2008 £000
Beginning of year	5,878	13,549
Net cash inflow/(outflow)	5,247	(7,671)
End of year	11,125	5,878
Analysis of balance:		
Bank balance	11,125	5,878

Notes to the accounts (cont'd)

17. Financial commitments

At 30 September 2009, there were no outstanding capital commitments (2008: nil).

18. Custodian's lien

Under the terms of the custody agreement with State Street Bank & Trust Company ("State Street"), the Company has granted a lien over its securities and other assets that are deposited with State Street to cover all sums due in connection with the custody agreement.

19. Related party disclosures

Under FRS 8, the Company is required to provide additional information concerning its relationship with the Investment Manager, Barings, and details of the investment management fee charged by Barings are set out in note 3. The ultimate holding company of Barings is Massachusetts Mutual Life Insurance Company.

20. Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long-term so as to secure its investment objective stated on page 3. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

These risks, include market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk, and the Directors' approach to the management of them are set out below.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, that are set out below, have not changed from the previous accounting period.

(a) Market risk

Special considerations and risk factors associated with the Company's investments are discussed on page 4. The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk (see (b) below), interest rate risk (see (c) below) and other price risk (see (d) below). The Board of Directors reviews and agrees policies for managing these risks, which have remained substantially unchanged from those applying in the year ended 30 September 2008. The Company's Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(b) Currency risk

Certain of the Company's assets, liabilities, and income, are denominated in currencies other than sterling (the Company's functional currency, and in which it reports its results). As a result, movements in the rate of exchange between sterling and the currencies of the countries in which the Company invests, which are identified in the table shown in note 10, may affect the sterling value of those items. In addition the Company's unvested cash balances are usually held in US dollars.

Notes to the accounts (cont'd)

20. Risk management policies and procedures (cont.)

(b) Currency risk (cont.)

Management of the risk

The Investment Manager monitors the Company's exposure and reports to the Board on a regular basis.

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not 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.

Foreign currency exposures

At 30 September 2009 monetary assets included cash balances totalling £11,125,000 (2008: £5,879,000) that were held in US dollars.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity in regard to the Company's monetary financial assets to changes in the exchange rates for the various currencies to which the Company is exposed.

If sterling had weakened by an average of 10%, this would have had the following effect:

	2009 £000	2008 £000
Income statement – profit after taxation:		
Revenue return	345	505
Capital return	1,523	8,710
Total profit after taxation for the year	1,868	9,215
Equity	1,868	9,215

If sterling had strengthened by an average of 10%, this would have had the following effect:

	2009 £000	2008 £000
Income statement – profit after taxation:		
Revenue return	(345)	(505)
Capital return	(1,523)	(8,710)
Total profit after taxation for the year	(1,868)	(9,215)
Equity	(1,868)	(9,215)

(c) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits.

Cash at bank at 30 September 2009 (and 30 September 2008) was held at floating interesting rates, linked to current short-term market rates.

Notes to the accounts (cont'd)

20. Risk management policies and procedures (cont.)

(d) Other price risk

Other price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the quoted and unquoted equity investments.

Management of the risk

The Board of Directors believe that as the Company's investment objective is to provide exposure to Emerging European Securities its neutral position in respect of this risk is full exposure to the market as represented by its benchmark. The Investment Manager has been given discretion around the benchmark to enable it to add value. The amount by which the portfolio diverges from the benchmark is closely monitored by the Board with the goal of ensuring that the risk taken is proportionate to the value added.

Concentration of exposure to other price risk

A sector breakdown and geographical allocation of the portfolio is contained in the Investment Manager's Report on pages 10 and 11.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 40% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	Increase in fair value 2009 £000	Decrease in fair value 2009 £000	Increase in fair value 2008 £000	Decrease in fair value 2008 £000
Income statement – profit after taxation:				
Capital return – increase/(decrease)	108,476	(108,476)	108,279	(108,279)
Total profit after taxation – increase/(decrease)	108,476	(108,476)	108,279	(108,279)
Equity	108,476	(108,476)	108,279	(108,279)

(e) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities that are readily realisable.

The Board gives guidance to the Investment Manager as to the maximum amount of the Company's resources that should be invested in any one holding. The policy is that the Company should remain fully invested in normal market conditions and that short-term borrowing may be used to manage short-term cash requirements.

Notes to the accounts (cont'd)

20. Risk management policies and procedures (cont.)

(f) Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

This risk is not significant, and is managed as follows:

- the majority of transactions take place through clearing houses on a delivery versus payment basis;
- investment transactions are carried out with an approved list of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.

(g) Fair values of financial assets and financial liabilities

Financial assets and liabilities are either carried in the balance sheet at their fair value (investments and derivatives), or the balance sheet amount if it is a reasonable approximation of fair value (amounts due from brokers, dividends receivable, accrued income, amounts due to brokers, accruals and cash balances).

21. Contingent asset

On 28 June 2008 the European Court of Justice announced that it had found in favour of the Association of Investment Companies and JPMorgan Claverhouse Trust plc in declaring that management expenses of investment trusts should be exempt from VAT. Her Majesty's Customs and Revenue ("HMRC") subsequently announced that it had accepted that fund management services are exempt from VAT and it withdrew from the appeal in the JPMorgan Claverhouse Investment Trust case. The Company is therefore no longer charged VAT on management fees. Since its launch in December 2002 the Company paid approximately £1.6 million of VAT on its management fees and recovered approximately £0.4 million of this through its quarterly VAT returns. On 30 June 2009 the Company received the repayment of £960,000 of VAT on management fees invoiced since 31 March 2005. An additional reclaim covering the period prior to 31 March 2005 has been submitted to HMRC and it is hoped to recover a significant proportion of the remaining £240,000 net loss of VAT outstanding. This potential recovery of VAT has not been recognised in the financial statements for the year ended 30 September 2009.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 155 Bishopsgate, London EC2M 3XY on Tuesday, 19 January 2010, at 2:30pm to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 1, 2, 3, 4, 5, 6 and 7 as ordinary resolutions, and as to resolutions 8, 9 and 10 as special resolutions:

1. To approve the Directors' Remuneration Report for the year ended 30 September 2009.
2. To receive the Directors' Report and statement of accounts for the year ended 30 September 2009.
3. To approve the annual dividend.
4. To re-elect John Cousins as a Director of the Company.
5. To re-appoint KPMG Audit Plc as Auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which the financial statements are laid before members.
6. To authorise the Directors to determine the Auditors' remuneration.

Special business

To consider the following resolutions:

7. Authority to allot new ordinary shares – Ordinary Resolution:

That, the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant rights to subscribe for or convert any security into shares in the Company (within the meaning of Section 551 of the Companies Act 2006) up to an aggregate nominal amount of £181,960.20, (being approximately 5% of the issued share capital of the Company as at 2 December 2009 being the latest practicable date prior to the publication of this notice of meeting excluding shares held in treasury at that date) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make one or more offers or agreements which would or might require relevant securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot relevant securities or grant rights to subscribe for or convert securities into shares in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

8. Authority to disapply pre-emption rights on allotment of ordinary shares – Special Resolution:

That if resolution 7 set out in the notice convening the Annual General Meeting of the Company dated 3 December 2009 (the Notice) is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or where the allotment is treated as an allotment of equity securities under section 560(3) of the Companies Act 2006, free of the restriction in section 561(1) of the Companies Act 2006, such power to be limited:

- (a) to the allotment of equity securities in connection with an offer of equity securities to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- (b) in the case of the authority granted under resolution 7 of the Notice and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the Companies Act 2006, to the allotment or such transfer (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £198,551.20,

such power to apply until the end of next years AGM but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting (cont'd)

9. Authority to repurchase the Company's shares – Special Resolution:

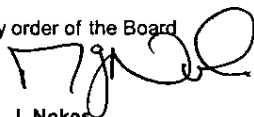
That, the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of £0.10 each in the capital of the Company (the "shares") provided that:

- (a) the maximum number of shares hereby authorised to be purchased shall be 5,455,168 (being approximately 14.99% of the issued share capital of the Company as at the date of this document, excluding shares held in treasury);
- (b) the minimum price (exclusive of any expenses) which may be paid for a share is £0.10;
- (c) the maximum price (exclusive of any expenses) which may be paid for a share is an amount equal to the highest of (a) 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (d) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2011, or 18 July 2011, unless such authority is renewed prior to such time;
- (e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will be or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract; and
- (f) all shares purchased pursuant to the said authority shall be either:
 - (i) cancelled immediately upon completion of the purchase; or
 - (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

10. Adoption of Articles of Association – Special Resolution:

- (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board



M. J. Nokes

Secretary

3 December 2009

155 Bishopsgate
London EC2M 3XY

Notes to the Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Capita Registrars (contact details can be found on page 2).
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 2:30pm on Sunday, 17 January 2010.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 2:30pm on Sunday, 17 January 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting for the purposes of which no account is to be taken of any part of a day that is not a working day). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 2 December 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 36,392,052 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 2 December 2009 are 36,392,052.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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 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.
9. 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 instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is 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 issuer's agent (ID RA10) by 2:30pm on Sunday, 17 January 2010. For this purpose, the time of receipt will be taken to be the time (as

Notes to the Notice of Annual General Meeting (cont'd)

determined by the time stamp applied to the message by the CREST Application Host) from which the issuer'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.

10. 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 message. 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, 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 sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
15. A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.bee-plc.com.

Inspection of documents

The following documents will be available for inspection at the Company's registered office from 3 December 2009 until the time of the AGM and at the AGM location from 15 minutes before the AGM until it ends:

- Copies of letters of appointment of the non-executive directors; and
- A copy of the proposed new articles of association of the Company, and a copy of the existing memorandum and articles of association marked to show the changes being proposed in resolution 10.

Appendix

Explanatory notes of principal changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 10(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

4. Rights attached to shares

As the Company no longer has any preference shares in issue, the New Articles have been amended so that the previous description of the rights attaching to the Company's ordinary and preference shares has been deleted. The New Articles provide that, subject to any rights attaching to shares already in issue, going forward, the Directors may issue shares with such rights or restrictions as the Company by ordinary resolution may decide or, if no such resolution has been passed or so far as the resolution is silent on the point, as the Directors may decide.

Various other references to separate general meetings of the holders of any class of shares to be called in order to address particular points have also been deleted from the existing articles.

Appendix (cont'd)

5. **Authorised share capital and unissued shares**

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

6. **Redeemable shares**

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

7. **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

8. **Uncertificated shares**

Where, in accordance with the Company's articles of association and the Companies Act 2006, the Company is entitled to take various steps in relation to a uncertificated share (for example, the right to dispose of a share), the New Articles allow the Directors to require the shareholder to change the share from uncertificated to certificated form and to keep it in such form until notified otherwise.

9. **Share certificates sent at holder's risk**

The New Articles provide that where a share certificate is sent out in accordance with the articles, it is to be sent at the risk of the person entitled to it.

10. **Conflicts of interest**

The New Articles have been amended so that where a Director has declared any direct or indirect interest he or she has in a proposed contract with the Company in accordance with the Companies Act 2006, the Board may impose any terms on such a Director in order to regulate his or her conduct in relation to that contract and so deal with the conflict.

11. **Use of seals**

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one Director in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

Appendix (cont'd)

12. Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

13. Currency of dividends

The existing articles include a provision which allows the Board to agree with a shareholder that dividends are to be satisfied in another currency and the basis of the conversion to be applied to any such payment. The New Articles amend this provision to allow the Board to decide the basis of any such currency conversion.

14. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

15. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

16. Directors' expenses and indemnities

The New Articles have been amended so as to allow the Board, acting within the parameters currently set out in the existing articles, to fund a former Director's expenditure incurred whilst carrying out the conduct of the Company's business or in the discharge of his or her duties as a Director. In addition, the New Articles allow the Company, again acting within the parameters of the current law, to indemnify former Directors against liability.

17. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

ISA & Savings Scheme

The Company's shares can be purchased through the Baring Emerging Europe ISA & Savings Scheme which provides a simple and cost-effective method for investing either lump sums or on a regular basis.

The Baring Emerging Europe ISA investment limits are:

	Minimum Investment Limits	Maximum Investment Limits
Regular investment	£250 per month	£600 per month
Lump sum investment	£3,000 (Additional lump sum top-ups of £1,000)	£7,200 per annum

The Baring Emerging Europe Savings Scheme has a minimum regular investment of £50 per month or a minimum lump sum investment of £250.

Further information

For further information on the ISA & Savings Scheme, please return the prepaid form printed on the following page or write to:

Baring Asset Management Limited
c/o NTGS
50 Bank Street
London E14 5NT

Telephone: 0845 082 2479

Alternatively information can be obtained from the Company's website: www.bee-plc.com

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Past performance is not a guarantee of future performance.

Baring Asset Management Limited, the Manager of the Baring Emerging Europe ISA & Savings Scheme, is authorised and regulated by the Financial Services Authority.

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Registered office as above.