

# Annual Report & Audited Financial Statements

for the year ended 30 September 2010



Baring Emerging  
Europe PLC

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## Directors and officers

### Directors

Steven Bates Chairman

John Cousins

Josephine Dixon

Saul Estrn

Jonathan Woollett

Ivo Coulson (appointed 29 September 2010)

Iain Saunders (retired 19 January 2010)

### Secretary

M J Nokes, FC A

### Registered office

155 Bishopsgate

London EC2M 3XY

### Company number

4560726

### Investment Manager

Baring Asset Management Limited

155 Bishopsgate

London EC2M 3XY

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### Auditor

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London E14 5GL

### Custodian

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### Website

[www.bee-plc.com](http://www.bee-plc.com)

## Financial highlights

	2010	2009
Net asset value per ordinary share ("NAV")	912 60p	770 57p
Earnings per ordinary share	2 91p	8 99p
Dividends per ordinary share	2 90p	8 50p
Share price	818 00p	701 00p
Total expense ratio ("TER") (based on average monthly NAV)	1 23%	1 36%*

\*Excluding performance fees and the effect of VAT recovered (as per page 14)

## Performance (total return basis)

	Year ended 30 September 2010
Net asset value per ordinary share*	+19 6%
Share price*	+16 7%
Benchmark*	+22 6%

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

\*Source AIC

## Discount (at 30 September)

	2010	2009
Discount to net asset value per share	10 4%	9 0%

## 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 Bannig Asset Management Limited which is authorised and regulated by the Financial Services Authority

## Financial calendar

Annual general meeting for 2010	18 January 2011
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

Dear Shareholder

## Investment Returns

This is my first annual statement to you as Chairman of your Company, and in these volatile times it is a relief to be able to report good news in the way of returns. From the end of the last fiscal year to the end of this, the NAV per share rose by 19.6%, on a total return basis. Despite the trauma of 2008, your Company has navigated the treacherous investment waters fairly well, and the two year NAV per share total return, which includes the impact of the financial crisis, was +32.6%. The less encouraging news in these numbers is that the portfolio has this year lagged its benchmark by 3.0% and the Investment Manager explains the reasons for this in his report on page 7. The Board also pays careful attention to how the portfolio performs against its peer group, and here the manager has done well. The Company sits in the upper half of its peer universe. Over the long term, the record of your Company remains exceptional against its peer group, with the NAV per share increasing by 61.6% (on a total return basis) during the five years ended 30 September 2010. The benchmark rose during the same period by 63.6% providing a more difficult comparison.

## Review of the Year

The pattern of return over the fiscal year 2010 was very volatile. The first half of the year (to the end of March) saw a large rise of 22.8% in the share price. This was followed by a rather precipitous decline during May and June during which the share price fell by some 18% from its peak, before rallying strongly during September. Unfortunately, the monetary policies we see around the world are unlikely to reduce this volatility. Markets remain skittish about the current policy mix and confidence waxes and wanes with every economic announcement. While the region in which your Company invests has economic dynamics which are to some degree different from what we see in the developed world, it is still affected by these issues.

Of course, your Investment Manager spends plenty of time worrying about these global trends, but is rightly more concerned about what is happening in the region, both economically and in the companies themselves. You can read about his specific thinking in the Investment Manager's report which follows.

## Board Responsibility

The Board of an investment trust has many statutory responsibilities and these have had a tendency to expand over time. In addition to making sure that we meet these requirements, it is important therefore that we have enough time and resources to focus on the issues which we think are most important to you as shareholders. As this is my first report, I thought I would try and set out briefly the four most important.

- 1 Investment returns** This may appear self evident, but a full understanding of performance includes an analysis of how returns have been generated. Is the return a matter of luck or are there clear elements of repeatable skill involved? Have the returns been produced with disregard to risk? Does the investment manager have adequate resources to fulfil its functions? As to the performance itself, the Board is very interested in the suitability of the benchmark and the ability of the Investment Manager to outperform both this and the peer group, particularly over the long term.
- 2 Discount management** An investment trust has many advantages over other investment vehicles, but in your Board's view, a failure to manage discount effectively could undo most of these. For many years now, your Company has had a clear policy of containing the volatility of the discount and stands ready to purchase shares in the market when the discount persistently exceeds the target the Board has set. During the current fiscal year, the discount has averaged 9.6% and we have bought back 2,166,599 shares.
- 3 Governance** This is a broad topic which covers everything from shareholder voting policies to ensuring that the Board is functioning effectively. Further, the nature of an investment trust like BEE means that the Company maintains contractual arrangements with a number of suppliers (the most significant of which is the Investment Manager). The failure of a supplier is the largest non-investment risk that your Company runs and so the monitoring and management of these suppliers is critical to the success of BEE.
- 4 Shareholder Communication** There are a number of formal communications each year, such as this, but this is your Company, and we encourage all shareholders to let us know of any specific issues of concern at any point.

## Chairman's statement (cont'd)

### Directorate

John Cousins has decided not to put himself forward for re-election at the AGM this January, and will retire. John has been on the Board of BEE and its predecessor company since launch in 1994, and has made an invaluable contribution to the effective supervision of the business. Current convention holds that after 9 years' service a director loses some energy and independent perspective. In John's case this is not true, even after 16 years in the saddle, he remains not only energetic and independent, but also very experienced. This is a combination which will be hard to replace and we all wish to thank John for his contribution and wish him well in the future.

With this prospect in mind, on 29 September, we appointed Ivo Coulson to the Board. Ivo is the head of portfolio management of Stanhope Investments, a large family office group. He brings a wide breadth of investment management experience together with a background as an investment trust specialist at UBS. He will submit himself to formal election at the AGM, and I hope that all shareholders will support his election.

### Dividend

As explained in previous years, the portfolio is not managed with a view to generating a particular level of income. Dividends payable are therefore dependent on the level of net income in any given year. This year, the flow of dividend income from the portfolio companies has been £5 429 000 which is slightly lower than last year. The decline reflects changes in the composition of the portfolio and timing differences. On the cost side, the management fee has increased reflecting the higher portfolio value and other expenses have also increased slightly. Last year shareholders also benefited from a recovery of VAT on past management fees. These factors mean that the funds available for distribution as dividends have fallen sharply. As a result, the Board is recommending a dividend of 2.90p out of income available for distribution of 2.91p.

### AGM

The next Annual General Meeting will be held on Tuesday, 18 January 2011 at 155 Bishopsgate London EC2M 3XY starting at 2.30 pm. 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

The global environment remains very unclear. Further rounds of monetary stimulus through quantitative easing have reduced the cost of money artificially and sharpened investor risk appetite, pushing up equity markets. Behind the appearance of normality this implies, investors continue to fret about both governments and consumers struggling with mountains of debt. Consumers have begun to pay this down, but for the most part governments have not. The path to a normalisation of monetary conditions will have to wait, it seems, until economic activity is more stable than it is today.

In Emerging Europe, this storm sometimes sounds distant because the underlying fundamentals of most of the economies in BEE's region are better than in the developed world in particular as far as debt ratios are concerned, sometimes, though, it sounds near, particularly when investors run for cover and discover that equity markets behave alike whatever those underlying fundamentals.

This is the tension in Emerging European investment. From time to time, the region will suffer collateral damage from the much larger drama evolving elsewhere. As a Company though, we are well positioned to take advantage of the considerable opportunities in front of us, and this is where the focus lies.

### Steven Bates

Chairman

1 December 2010

# Report of the Investment Manager

for the year ended 30 September 2010

## 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.

## Performance

The Company's NAV performed very strongly over the first half year of the review period and then experienced considerable volatility for the rest of the year. Still, this year's NAV growth of 19.6% has been the best of the last 4 years' returns.

Baring Emerging Europe PLC underperformed its benchmark over the period but scored well versus the competition, ending the 12 months to September 30th in the second quartile of the peer group of Emerging European equity funds.

The main reason for the underperformance was stock selection in Russia which is by far the largest component of the benchmark. Exposure to other markets was either neutral or contributed positively to performance over the period. Within Russia, the portfolio was negatively impacted by overweight positions relative to the benchmark index in oil company Rosneft and mobile telecoms operator VimpelCom. The Russian government's decision to abolish tax breaks for an eastern Siberian oil field hit Rosneft particularly hard, while VimpelCom's plan to acquire Italian and Asian mobile telecoms assets from the Sawiris family was interpreted as negative by the market.

Emerging European markets continued to perform well overall, led by Turkey, Poland and Russia, which benefited from positive macroeconomic developments and ongoing earnings upgrades. It was encouraging to see that these markets were little affected by debt repayment issues in Greece and Dubai. We believe this distinction was driven by their solid macroeconomic fundamentals and sound fiscal and monetary policy.

Yet, it was not all plain sailing in Emerging Europe. Volatility undoubtedly increased when the sovereign rating of Greece was reduced to the lowest possible investment grade. Failure to rein in public spending contributed to a significant deterioration of the country's debt profile. As belts were tightened by governments across Europe, markets worried about a "double dip scenario" in Europe despite a German-led bailout programme of over Euro 100 billion. In our region, Hungary was most affected by these debt worries.

Global leading indicators deteriorated during the course of this year, a development that we believe is perfectly consistent for this stage of the economic cycle and should not be interpreted as negatively as it has been by the markets. A similar pattern was also visible across Emerging European economic data. In most cases, however, industrial production held up surprisingly well, driven by good export performance.

Baring Emerging Europe PLC  
– NAV per share, share price, % discount

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## Report of the Investment Manager (cont'd)

It is important to note that Emerging European markets continued to outperform developed markets over the period. We believe that this should be interpreted as a vote of confidence for the asset class. This outperformance was delivered against a backdrop of US dollar strength and market volatility – conditions which have historically led to underperformance by emerging markets, but not so this year.

### Strategy

In the future, we expect exports to begin to decline in importance to the Emerging European economies. Instead, we think that the relatively favourable fiscal situation will allow economic performance in the region to be largely driven by domestic dynamics. Poland and Turkey should score very well in that regard while Russia's expansionary fiscal policy prepares the ground for a significant acceleration of domestic economic activity. The fact that these countries boast low debt levels on corporate, household and sovereign balance sheets should provide further support for markets.

The investment strategy we are pursuing in Baring Emerging Europe PLC is to participate in these favourable trends, by building investment exposure in the best positioned areas. In particular, financial companies and consumer-related industries such as retailing, consumer goods, transport, infrastructure development, residential development and telecommunications should benefit most.

Encouragingly, Emerging European markets offer exposure to fundamental growth trends at attractive valuations, a fact that should continue to generate Foreign Direct Investment and portfolio inflows and support governments' plans to continue their privatisation strategies. Poland laid the groundwork here by delivering in 2009 the most successful record of initial public offerings across the whole of Europe. We plan to participate in selected new offerings, but will review each on a case by case basis, paying close attention to minority shareholder rights as well as growth prospects and valuations.

Russia is a case in point, where better performance might have been expected from the market over the past year. However, proposed legislation to impose additional tax bills on the energy sector – the largest in the market – unnerved investors. The government gave the impression that it was more concerned about funding huge increases in government workers' wages, general social spending and pensions than in encouraging investment in the energy sector. These policies turned last year's budgetary surplus into a deficit that now needs funding. While this approach will support domestic economic development, it weakens the government's hand when trying to attract foreign investors to take part in privatisations.

Although this set of circumstances provides investment opportunity, the potential for an increase in equity offering also has to be considered a risk across most countries. This may lead to some correction in the equity markets, but we would expect such an event to be treated as a buying opportunity by long-term investors. In the meantime, we believe the region remains very attractively priced, and the market is fully aware of the potential issuance. Political risk is a further factor to be aware of, particularly in Turkey and Russia, where elections are scheduled for 2011.

### Outlook

In conclusion, we believe that the investment case for the region remains compelling. While consumers in the West are over-burdened with debt, the situation across most of our investment universe is completely different. Consumers in Central and Eastern Europe carry a fraction of the level of debt of their western counterparts. In Russia, the temporary halt in the growth of the middle class is now behind us and we expect to see rapid growth here over the medium-term as wage growth returns. We would also highlight the resilience of domestic consumption elsewhere in the region, particularly Poland, as being noteworthy and encouraging for investors.

## Report of the Investment Manager (cont'd)

### Equity portfolio

The Company's equity portfolio at 30 September 2010, is set out in the following table

	Holding	Primary country of listing or investment	Market value £000	% of equity portfolio
1	Sberbank	Russia	32,715	10.66
2	Gazprom	Russia	22,825	7.43
3	Rosneft	Russia	20,446	6.66
4	Garanti Bank	Turkey	19,620	6.39
5	PKO BP	Poland	17,304	5.64
6	Nonlisk Nickel	Russia	17,044	5.55
7	Mobile Telesystems	Russia	15,097	4.92
8	OTP Bank	Hungary	14,428	4.70
9	Türkiye Halk Bankası	Turkey	13,795	4.49
10	LUKOIL Holdings	Russia	13,378	4.36
11	VimpelCom	Russia	12,831	4.18
12	CEZ	Czech Republic	11,519	3.75
13	Eurocash	Poland	9,450	3.08
14	Novolipetsk Steel	Russia	6,750	2.20
15	Evrax	Russia	6,191	2.02
16	Kazakhmys	United Kingdom	5,755	1.87
17	Mechel	Russia	5,282	1.72
18	Türkcell İletişim	Turkey	5,160	1.68
19	Rushydro	Russia	4,179	1.36
20	LSR	Russia	4,131	1.35
21	Globe Trade Centre	Poland	4,042	1.32
22	Oriflame Cosmetics	Sweden	4,006	1.30
23	Anadolu Hayat Emek	Turkey	3,958	1.29
24	Pharmstandard	Russia	3,507	1.14
25	Wimm-Bill-Dann Foods	Russia	3,367	1.10
26	Türkiye Vakıflar	Turkey	3,162	1.03
27	Pipe Metallurgical (TMK)	Russia	2,807	0.91
28	Türkiye Petrol	Turkey	2,618	0.85
29	Enka İnşaat	Turkey	2,462	0.80
30	Doğuş Otomotiv Ser	Turkey	2,461	0.80
31	Banvıl Bandırma Vit	Turkey	2,346	0.76
32	Petropavlovsk	United Kingdom	1,874	0.61
33	Yapı Ve Kredi Bank	Turkey	1,857	0.61
34	Eurasia Drilling	Russia	1,731	0.56
35	Global Trans	Russia	1,566	0.51
36	Protek	Russia	1,320	0.43
37	Eurasian Natural Resources	United Kingdom	1,296	0.42
38	Raven Russia	United Kingdom	1,050	0.34
39	AO Tatneft	Russia	983	0.32
40	Ferrexpo	United Kingdom	941	0.31
41	Pınar Sut Mamulleri	Turkey	933	0.31
42	Holding Co Sibcern	Russia	843	0.27
	<b>Total investments</b>		<b>307,030</b>	<b>100.00</b>

## Report of the Investment Manager (cont'd)

Company weighting versus benchmark by country of operation at 30 September 2010

	Company	Benchmark
Czech Republic	3.7%	4.1%
Hungary	4.6%	4.6%
Poland	9.8%	16.6%
Russia	56.3%	55.4%
Turkey	18.5%	19.3%
Other	4.7%	–
Cash	2.4%	–
	100.0%	100.0%

Source: Barings, MSCI

Performance versus index  
for the year ended 30 September 2010

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Fund, benchmark and country returns (£)  
– 30 September 2009 to 30 September 2010

Benchmark +22.6%

Bee PLC +19.6%

Russia +22.2%

Czech Republic 5.0%

Poland +19.8%

Turkey +43.4%

Hungary +6.0%

Source: Barings

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## Report of the Investment Manager (cont'd)

### Classification of assets

The Company's Portfolio as per MSCI at 30 September 2010 was

Percentage classification of assets based on valuation

	Russia	Hungary	Poland	Czech Republic	Turkey	Other Countries	Net Current Assets	Total 2010	Total 2009
Consumer Discretionary	-	-	30	-	08	13	-	51	18
Consumer Staples	11	-	-	-	10	-	-	21	22
Energy	197	-	-	-	08	-	-	205	292
Financials	104	46	68	-	135	03	-	356	291
Healthcare	16	-	-	-	-	-	-	16	20
Industrials	05	-	-	-	08	-	-	13	28
Materials	128	-	-	-	-	31	-	159	119
Telecommunication Services	89	-	-	-	16	-	-	105	97
Utilities	13	-	-	37	-	-	-	50	71
<b>Total equity investment</b>	<b>563</b>	<b>46</b>	<b>98</b>	<b>37</b>	<b>185</b>	<b>47</b>	<b>-</b>	<b>976</b>	<b>958</b>
<b>Net current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>24</b>	<b>42</b>
<b>Total 2010</b>	<b>563</b>	<b>46</b>	<b>98</b>	<b>37</b>	<b>185</b>	<b>47</b>	<b>24</b>	<b>1000</b>	<b>-</b>
<b>Total 2009</b>	<b>548</b>	<b>52</b>	<b>87</b>	<b>81</b>	<b>151</b>	<b>39</b>	<b>42</b>	<b>-</b>	<b>1000</b>

Sector distribution of portfolio (%) at 30 September 2010

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Baring Asset Management Limited

22 November 2010

# 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 2010

## 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 (replaced by Section 1158 of the Corporation Tax Act 2010 for accounting periods ending on or after 1 April 2010) for the year ended 30 September 2009. In the opinion of the Directors the Company has subsequently directed its affairs so as to enable it to continue to seek such approval under Section 1158 of the Corporation Tax Act 2010.

The Company is an investment company as defined in Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

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 15% 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 (replaced by Section 1158 of the Corporation Tax Act 2010 for accounting periods ending on or after 1 April 2010) 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 2010, 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. In order to provide a mechanism to gear the portfolio the Board has authorised the investment manager to invest in long only derivatives in Polish, Russian and Turkish index futures where feasible. The Investment Manager has discretion to operate with an overall exposure of the portfolio to the market of between 90% and 110%, to include the effect of any derivative positions, beta adjusted if appropriate and any collateral which may be required.

### 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 2.90p per share compared with 8.50p for the previous period. Subject to the approval of the Annual General Meeting, the recommended annual dividend will be paid on 2 February 2011 to members on the register at the close of business on 7 January 2011. The shares will be marked ex-dividend on 5 January 2011.

### 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 2010, 2,166,599 shares were repurchased at a cost of £17,486,000 (2,782,796 shares were repurchased during the year ended 30 September 2009 at a cost of £12,383,000). 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 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 2010 the Company was ranked 37th out of 102 funds in this universe. Over three years to 30 September 2010 it was ranked 11th out of 96 funds and over five years it was ranked 8th out of 83 funds.
- **Performance against the benchmark index**

A chart of NAV performance versus benchmark for the five years ended 30 September 2010 (total return) is set out in the Directors Remuneration Report on page 25.
- **Discount to NAV**

In the year ended 30 September 2010 the shares traded at an average discount of 9.6%.
- **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 2010 was 1.23% (2009 1.36%) excluding performance fee and the effect of VAT recovered. No performance fee is payable in respect of the year ended 30 September 2010 (2009 £1,012,000 was paid). 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 the provisions contained in Section 842 of the Income and Corporation Taxes Act 1988 ("Section 842") (replaced by Section 1158 of the Corporation Tax Act 2010). 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.
- **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.

## Report of the Directors (cont'd)

- **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

- **Future developments**

The future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments in the countries in which it invests. The Investment Manager discusses the outlook in his report on page 8

## 2 Directors

The present Directors are listed below and on page 2. They are all non-executive and have served throughout the year (except Ivo Coulson who was appointed a Director on 29 September 2010)

**Steven Bates** (53) 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 and was appointed Chairman of Baring Emerging Europe PLC on 19 January 2010.

**John Cousins** (70) 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** (51) is a director of Worldwide Healthcare 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.

**Saul Estrin** (58) 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.

## Report of the Directors (cont'd)

**Jonathan Woollett** (53) is a founding partner of Acoro Capital Partners LLP, an investment partnership focussing on unlisted financial sector investments in Central and Eastern Europe. He has nearly 20 years experience in the region with 10 years to 2008 at the European Bank for Reconstruction and Development ("EBRD") in London. Prior to EBRD he was the director responsible for the establishment of asset management and mutual fund businesses in Central and Eastern Europe at Credit Suisse Asset Management. Prior to Credit Suisse, he worked for UBS, having started his banking career with Deutsche Bank in 1979. He was appointed a Director of Baring Emerging Europe PLC on 23 July 2008.

**Ivo Coulson** (46) has over 25 years of experience in the City, first with BZW as a director in their investment management division and then as a director with SG Warburg in their equity trading operation, latterly heading up their closed end fund team. He is currently head of portfolio management at Stanhope Capital LLP, a prominent multi family office based in the West End of London and a non executive director of JPMorgan Smaller Companies Investment Trust PLC. He was appointed a Director of Baring Emerging Europe PLC on 29 September 2010.

In accordance with the Articles of Association Josephine Dixon and Saul Estrin retire by rotation and being eligible, offer themselves for re-election. Ivo Coulson offers himself for election following his appointment to the Board on 29 September 2010. John Cousins has decided to retire from the Board and will not seek re-election at the AGM.

The Directors' and their families' interests in the Company's shares are stated below:

<b>Beneficial</b>	<b>30 November 2010</b>	<b>30 September 2010</b>	<b>30 September 2009</b>
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	3,000
Ivo Coulson (appointed 29 September 2010)	–	–	–

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 2010.

### 3. Substantial shareholdings

At 30 November 2010, the Company had received notification of the following disclosable interests in the ordinary share capital of the Company:

	<b>Number of shares</b>	<b>%</b>
City of London Investment Management Ltd	7,328,289 shares	21.26%
Sarasin & Partners LLP	2,277,686 shares	6.61%
Lazard Asset Management LLC	1,808,710 shares	5.25%
Advance Developing Markets Fund Ltd	1,664,894 shares	4.83%
Legal & General Group plc	1,406,000 shares	4.08%

# 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 2009 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 Steven Bates (he was appointed Chairman on 19 January 2010). 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
<b>Number of meetings in the year</b>	<b>4</b>	<b>2</b>	<b>1</b>
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
Ivo Coulson (appointed 29 September 2010)	–	–	–

All of the Directors (except Ivo Coulson who was appointed on 29 September 2010) attended the Annual General Meeting held in January 2010.

In addition, as part of its responsibility to monitor investments the Board visited, along with the Investment Manager, a number of companies and authorities in Turkey during September 2010.

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 having considered the Board structure, size and composition, the balance of knowledge, experience, skill range, diversity and age profile, recommends the election of Ivo Coulson and re-election of Josephine Dixon and Saul Estrin who retire by rotation and offers themselves for re-election at the Annual General Meeting.

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**

Josephine 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.

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.

## Report of the Directors (cont'd)

### Nomination Committee

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

The Board appointed one new Director, Ivo Coulson during the year upon the recommendation of the Committee. This followed the appointment of a search agency for the purpose of finding a Director. The Committee considered an extensive list of candidates put forward by the search company and interviewed a short list of individuals for the position. A recommendation was then made to the Board and following acceptance by the Board as a whole, the appointment was confirmed.

### 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.

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.

## Report of the Directors (cont'd)

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.

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.

## Report of the Directors (cont'd)

### 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

During the year under review no VAT on past management fees was recovered (in 2009, £960,000 of VAT on past management fees incurred since 31 March 2005 and £79,000 in respect of interest was recovered). 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 45.

### 6 Withholding tax

The Company has sought to recover excess withholding tax from companies held in Poland and has engaged KPMG for this exercise. During the year ended 30 September 2010, an amount of £208,000 has been recovered. A further amount of £333,000 has been reclaimed but is subject to an appeal by the Polish tax authorities, this has not been recognised in the financial statements for the year ended 30 September 2010.

### 7 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 2010.

### 8 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.

### 9. 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.

## Report of the Directors (cont'd)

### 10. 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

The AGM will be held on Tuesday, 18 January 2011 at 2.30pm. The formal notice of the AGM is set out on pages 46 and 47. 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 9 and 10)

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 £172,336 (representing 1,723,360 ordinary shares of 10 pence each). This amount represents approximately 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 30 November 2010, being the latest practicable date prior to publication of the notice of meeting on pages 46 to 47 (the "Notice")

As at the date of the Notice 3,318,207 ordinary shares are held by the Company in treasury. This amount represents 9.63% 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 10 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 £188,927. This amount represents 1,889,270 shares and is approximately 5% of the total share capital of the Company in issue (including treasury shares) as at 30 November 2010, being the latest practicable date prior to publication of the Notice. This will enable the Company to issue new shares (or to sell treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. **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 9 and 10 are approved, the authorities will expire at the conclusion of the AGM in 2012.

## Report of the Directors (cont'd)

### Authority to purchase own shares (resolution 11)

At the AGM held on 19 January 2010, 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 2,166,599 shares were purchased and cancelled during the year under review. This represented 5.73% of the issued share capital at 30 September 2010. The prices paid for these shares ranged from 638.80p to 893.00p and the total cost amounted to £17,486,000. No further 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 5,166,620 ordinary shares as at 30 November 2010, 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.

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 10 pence 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 2012 or 17 July 2012, 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 46 and 47.

**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.**

### 11. Conflict of interest

Section 175 of the Companies Act 2006, which came into effect on 1 October 2009, 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 2009 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)

### 12 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 48, 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.

### 13 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 Nokes  
Secretary

1 December 2010

# Directors' Remuneration Report

for the year ended 30 September 2010

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 2010 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:

	2010	2009
	£000	£000
Steven Bates (appointed Chairman 19 January 2010)	27.7	22.5
John Cousins	22.5	22.5
Josephine Dixon	25.0	25.0
Saul Estrin	22.5	22.5
Jonathan Woollett	22.5	22.5
Ivo Coulson (appointed 29 September 2010)	—	—
Iain Saunders (retired 19 January 2010)	9.1	30.0
<b>Total</b>	<b>129.3</b>	<b>145.0</b>

## Share price performance

The following graph compares the share price and net asset value performance against the benchmark<sup>1</sup>.

5 year performance versus benchmark



— NAV total return (Source: AIC)  
 - - - Share price total return (Source: AIC)  
 - - - Benchmark\*1 (Source: Banngs)

Until 31 March 2007 the benchmark was the FTSE Custom All World Emerging Europe Index.  
 \* From 1 April 2007 the benchmark is the MSCI EM Europe 10/40 Index.

## Approval

A resolution for the approval of the Directors' Remuneration Report for the year ended 30 September 2010 will be proposed at the Annual General Meeting.

By order of the Board

M J Nokes

Secretary

1 December 2010

## 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 they have elected to prepare the financial statements in accordance with UK 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 judgments 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 and 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](http://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

**Steven Bates**

Chairman

1 December 2010

# 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 2010 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cashflow Statement and the related notes set out on pages 29 to 45. 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](http://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 2010 and of its return 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, and

## 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 June 2009 Combined Code specified for our review



**Neil Palmer (Senior Statutory Auditor)**

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

1 December 2010

## Income statement

(incorporating the Revenue Account\*) for the year ended 30 September 2010

	Notes	Year ended 30 September 2010			Year ended 30 September 2009		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value through profit or loss	10	-	51,798	51,798	-	15,228	15,228
Income	2	5,430	-	5,430	5,834	7	5,841
Investment management fee and performance fee	3	(2,422)	-	(2,422)	(1,570)	(1,012)	(2,582)
VAT recovered from HMRC on management fees	4	-	-	-	870	90	960
Other expenses	5	(1,307)	-	(1,307)	(1,155)	-	(1,155)
<b>Net return before finance costs and taxation</b>		<b>1,701</b>	<b>51,798</b>	<b>53,499</b>	<b>3,979</b>	<b>14,313</b>	<b>18,292</b>
Finance costs	6	(17)	-	(17)	(17)	-	(17)
<b>Return on ordinary activities before taxation</b>		<b>1,684</b>	<b>51,798</b>	<b>53,482</b>	<b>3,962</b>	<b>14,313</b>	<b>18,275</b>
Taxation	7	(655)	-	(655)	(561)	-	(561)
<b>Return attributable to ordinary shareholders</b>		<b>1,029</b>	<b>51,798</b>	<b>52,827</b>	<b>3,401</b>	<b>14,313</b>	<b>17,714</b>
<b>Return per ordinary share</b>	9	<b>2.91p</b>	<b>146.54p</b>	<b>149.45p</b>	<b>8.99p</b>	<b>37.84p</b>	<b>46.83p</b>

\*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 45 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

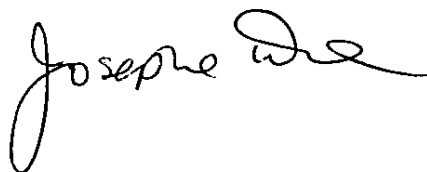
# Balance sheet

as at 30 September 2010

	Notes	2010 £000	2009 £000
<b>Non current assets</b>			
Investments at fair value through profit or loss	10	307,030	271,189
<b>Current assets</b>			
Debtors	11	6,139	3,567
Cash at bank and in hand		1,846	11,125
		7,985	14,692
<b>Creditors amounts falling due within one year</b>	12	(469)	(3,591)
<b>Net current assets</b>		7,516	11,101
<b>Net assets</b>		314,546	282,290
<b>Capital and reserves</b>			
Called-up share capital		3,779	3,995
Share premium account		1,411	1,411
Special reserve		14,306	31,792
Redemption reserve		1,009	793
Capital reserve		291,115	239,317
Revenue reserve		2,926	4,982
<b>Total equity shareholders' funds</b>		314,546	282,290
<b>Net asset value per share</b>	14	912 60p	770 57p

The financial statements on pages 29 to 45 were approved by the Board on 1 December 2010 and signed on its behalf by

Josephine Dixon  
Director



The annexed notes on pages 33 to 45 form part of these accounts

Company registration number 4560726

## Reconciliation of movement in shareholders' funds

for the year ended 30 September 2010

	Called-up share capital £000	Share premium account £000	Special reserve £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
<b>For the year ended</b>							
<b>30 September 2010</b>							
Beginning of year	3,995	1,411	31,792	793	239,317	4,982	282,290
Return for the year	-	-	-	-	51,798	1,029	52,827
Buyback of own shares for cancellation	-	-	(17,486)	-	-	-	(17,486)
Transfer to capital redemption reserve	(216)	-	-	216	-	-	-
Dividends paid	-	-	-	-	-	(3,085)	(3,085)
<b>Balance at</b>							
<b>30 September 2010</b>	<b>3,779</b>	<b>1,411</b>	<b>14,306</b>	<b>1,009</b>	<b>291,115</b>	<b>2,926</b>	<b>314,546</b>

	Called-up share capital £000	Share premium account £000	Special reserve £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
<b>For the year ended</b>							
<b>30 September 2009</b>							
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)
<b>Balance at</b>							
<b>30 September 2009</b>	<b>3,995</b>	<b>1,411</b>	<b>31,792</b>	<b>793</b>	<b>239,317</b>	<b>4,982</b>	<b>282,290</b>

The annexed notes on pages 33 to 45 form part of these accounts

# Cashflow statement

for the year ended 30 September 2010

		Year ended 30 September 2010 £000	Year ended 30 September 2009 £000
	Notes		
<b>Operating activities</b>			
Income received from investments		5,534	6,653
Interest received		1	16
Investment management fees and performance fees paid		(3,404)	(1,717)
VAT recovered (including interest thereon)		–	1,039
Other cash payments		(1,268)	(1,224)
Net cash inflow from operating activities	15	863	4,767
<b>Servicing of finance</b>			
Interest paid		(17)	(17)
<b>Taxation</b>			
Overseas tax paid		(488)	(728)
<b>Financial investment</b>			
Purchases of investments		(84,457)	(93,829)
Sales of investments		95,391	111,895
Net cash inflow from financial investment		10,934	18,066
Equity dividends paid		(3,085)	(3,455)
Net cash inflow before financing		8,207	18,633
<b>Financing</b>			
Buyback of ordinary shares		(17,486)	(13,386)
Net cash outflow from financing		(17,486)	(13,386)
(Decrease)/increase in cash	16	(9,279)	5,247

The annexed notes on pages 33 to 45 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 have been prepared in accordance with the applicable United Kingdom accounting standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in January 2009). The adoption of the January 2009 SORP has had no effect on the financial statements of the Company other than the amendment to FRS 29 in respect of fair value disclosures and the details of this are given in note 20(g).

The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP")

### (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 on investments held at fair value through profit or loss.

### (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 2010 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

	2010 £000	2009 £000
<b>Income from investments</b>		
Overseas dividends – Quoted	5,429	5,746
<b>Other income</b>		
Deposit interest	1	16
Interest on VAT recovered from HMRC	–	79
	<b>5,430</b>	<b>5,841</b>

### 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

	2010 £000	2009 £000
Basic fee (charged to revenue)	2,422	1,570
Performance fee (charged to capital)		
– provision for year	–	1,012
	<b>2,422</b>	<b>2,582</b>

At 30 September 2010, £205,000 (30 September 2009 £1,187,000) of this fee remained outstanding.

### 4. VAT recovered from HMRC on management fees

	2010 £000	2009 £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 past 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

	2010 £000	2009 £000
Custody and administration expenses	1,113	952
Auditor's remuneration for		
– audit	26	26
– other services*	39	32
Directors' fees	129	145
	<b>1,307</b>	<b>1,155</b>

\*KPMG other services includes £31,000 for withholding tax work in Poland (2009 £24,000)

## Notes to the accounts (cont'd)

### 6 Finance costs

	2010 £000	2009 £000
(All charged to revenue)		
On short-term loan and overdraft facility with State Street Bank & Trust Company repayable within 5 years, not by instalments		
Bank overdraft	17	17
	17	17

### 7 Taxation

	Revenue £000	2010 Capital £000	Total £000	Revenue £000	2009 Capital £000	Total £000
<b>(a) Current tax charge for the year</b>						
Overseas taxation (note 7(b))	655	–	655	561	–	561

#### (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	2010 Capital £000	Total £000	Revenue £000	2009 Capital £000	Total £000
Return on ordinary activities before taxation	1,684	51,798	53,482	3,962	14,313	18,275
Return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009 28%)	472	14,503	14,975	1,109	4,008	5,117
Effects of						
Non taxable overseas dividends	(1,520)	–	(1,520)	–	–	–
Overseas withholding tax	655	–	655	561	–	561
Capital gains not subject to tax	–	(14,503)	(14,503)	–	(4,264)	(4,264)
Excess management expenses unutilised/(utilised)	1,048	–	1,048	(1,109)	256	(853)
Current tax charge for the year	655	–	655	561	–	561

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

## Notes to the accounts (cont'd)

### 7. Taxation (cont'd)

The Company has an unrecognised deferred tax asset of £283 000 (2009 £nil) based on the long term prospective corporation tax rate of 27% (2009 28%). This asset has accumulated because deductible expenses have exceeded taxable income in past years. No asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

### 8. Dividend

	2010 Pence per share	2010 £000	2009 Pence per share	2009 £000
Annual dividend per ordinary share – proposed	2 90p	1,000	8 50p	3,114

### 9 Return per ordinary share

	Revenue	Capital	Total 2010	Revenue	Capital	Total 2009
Return per ordinary share	2 91p	146 54p	149 45p	8 99p	37 84p	46 83p

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £1,029 000 (2009 £3 401 000).

Capital return per ordinary share is based on net capital profits for the financial year of £51,798,000 (2009 net capital profits of £14,313,000).

These calculations are based on the weighted average of 35,346,596 (2009 37,820,907 shares) ordinary shares in issue during the year.

At 30 September 2010 there were 34,467,110 ordinary shares of 10 pence each in issue (2009 36,633,709) which excludes 3,318,207 ordinary shares held in treasury (2009 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 2010 £000	Quoted overseas £000	Total 2009 £000
Czech Republic	11,519	11,519	23,040	23 040
Hungary	14,428	14,428	14,872	14,872
Poland	30,796	30,796	24 661	24,661
Russia	179,916	179,916	154,493	154,493
Turkey	58,373	58,373	42,935	42,935
Other	11,998	11,998	11,188	11,188
<b>Total</b>	<b>307,030</b>	<b>307,030</b>	<b>271,189</b>	<b>271,189</b>

## Notes to the accounts (cont'd)

### 10 (ii) Movements in the year

	Quoted overseas £000	Unquoted £000	Total 2010 £000	Quoted overseas £000	Unquoted £000	Total 2009 £000
Book cost at beginning of year	201,824	104	201,928	246,756	157	246,913
Gains/(losses) on investments held at beginning of year	69,365	(104)	69,261	23,941	(157)	23,784
Valuation at beginning of year	271,189	–	271,189	270,697	–	270,697
Movements in year						
Purchases at cost	82,278	–	82,278	92,488	–	92,488
Sales proceeds	(98,226)	(9)	(98,235)	(107,020)	(204)	(107,224)
Gains/(losses) on investments sold in year	26,788	–	26,788	(30,400)	151	(30,249)
Gains on investments held at year end	25,001	9	25,010	45,424	53	45,477
Valuation at end of year	307,030	–	307,030	271,189	–	271,189

Expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from sales proceeds. Transaction costs on purchases for the year ended 30 September 2010 amounted to £125,000 (2009 £169,000) and on sales for the year they amounted to £186,000 (2009 £200,000).

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

	2010 £000	2009 £000
Gains/(losses) on investments sold in the year	26,788	(30,249)
Gains on investments held at year end	25,010	45,477
Total gains on investments	51,798	15,228

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.

## Notes to the accounts (cont'd)

### 11. Debtors

	2010 £000	2009 £000
<b>Amounts due within one year</b>		
Amounts due from brokers	4,246	1,402
Prepayments and accrued income	1,893	1,998
Other debtors	–	167
	<b>6,139</b>	<b>3,567</b>

### 12. Creditors

	2010 £000	2009 £000
<b>Amounts falling due within one year</b>		
Purchases for future settlement	–	2,179
Other creditors	469	1,412
	<b>469</b>	<b>3,591</b>

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

	2010 £000	2009 £000
<b>Allotted, issued and fully paid up</b>		
37,785,317 (2009: 39,951,916) ordinary shares of 10 pence (fully paid)	3,779	3,995

During the year 2,166,599 ordinary shares were repurchased for cancellation for £17,486,000 (2009: 2,782,796 ordinary shares were repurchased for cancellation for £12,383,000). During the year no ordinary shares were repurchased to be held in treasury and no 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 (2009: 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

	2010	2009
Total shareholders' funds (£000)	314,546	282,290
Net asset value (pence per share)	912 60p	770 57p

The net asset value per share is based on total shareholders' funds above, and on 34,467 110 ordinary shares in issue at the year end (2009 36,633,709 ordinary shares in issue) which excludes 3 318 207 ordinary shares held in treasury (2009 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

	2010 £000	2009 £000
Net revenue return before finance costs and taxation	53,499	18 292
Net capital return before finance costs and taxation	(51,798)	(14 313)
Decrease in accrued income	105	907
(Decrease)/increase in sundry creditors	(943)	796
VAT recovered from HMRC (including interest thereon) capitalised	-	97
Performance fee capitalised	-	(1,012)
Net cash inflow from operating activities	863	4,767

### 16. Analysis of changes in cash during the year

	2010 £000	2009 £000
Beginning of year	11,125	5,878
Net cash (outflow)/inflow	(9,279)	5,247
End of year	1,846	11,125
<b>Analysis of balance</b>		
Bank balance	1,846	11,125

## Notes to the accounts (cont'd)

### 17. Financial commitments

At 30 September 2010 there were no outstanding capital commitments (2009 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 Baring Asset Management Limited 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 2009 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

Some 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 uninvested 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 2010 monetary assets included cash balances totalling £1,846,000 (2009: £11,125,000) 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:

	2010 £000	2009 £000
<b>Income statement – profit after taxation</b>		
Revenue return	193	345
Capital return	5,180	1,523
Total profit after taxation for the year	<u>5,373</u>	<u>1,868</u>
Equity	<u>5,373</u>	<u>1,868</u>

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

	2010 £000	2009 £000
<b>Income statement – profit after taxation</b>		
Revenue return	(193)	(345)
Capital return	(5,180)	(1,523)
Total profit after taxation for the year	<u>(5,373)</u>	<u>(1,868)</u>
Equity	<u>(5,373)</u>	<u>(1,868)</u>

#### (c) Interest rate risk

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

Cash at bank at 30 September 2010 (and 30 September 2009) was held at floating interest 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 10% 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 2010 £000	Decrease in fair value 2010 £000	Increase in fair value 2009 £000	Decrease in fair value 2009 £000
<b>Income statement – profit after taxation</b>				
Capital return – increase/(decrease)	27,070	(27,070)	27,119	(27,119)
Total profit after taxation – increase/(decrease)	27,070	(27,070)	27,119	(27,119)
Equity	27,070	(27,070)	27,119	(27,119)

#### (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 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)

The table below sets out fair value measurements using the FRS29 fair value hierarchy

Financial assets at fair value through profit or loss at 30 September 2010

	Level 1 £000	Total 2010 £000
Equity investments	307,030	307,030
Total	307,030	307,030

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows

- Level 1** – valued using quoted prices in active markets for identical assets
- Level 2** – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1 (there are no Level 2 investments at 30 September 2010)
- Level 3** – valued by reference to valuation techniques using inputs that are not based on observable market data (there are no Level 3 investments at 30 September 2010 with a market value)

The valuation techniques used by the Company are explained in the accounting policies note on page 33

## Notes to the accounts (cont'd)

### 21. Contingent asset

#### (a) VAT

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 2010.

#### (b) Withholding tax

The Company has sought to recover excess withholding tax from companies held in Poland. To date an amount of £208,000 was recovered in the year to 30 September 2010. A further amount of £333,000 has been reclaimed but is subject to an appeal by the Polish tax authorities. This potential recovery of withholding tax has not been recognised in the financial statements for the year ended 30 September 2010. Subsequent to the year end the Company has engaged KPMG to assist with the recovery of excess withholding tax on dividends received from companies in Russia. This potential recovery of withholding tax has not been recognised in the financial statements for the year ended 30 September 2010 as the amounts reclaimable are uncertain and have not yet been quantified.

# 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 18 January 2011, 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, 7, 8 and 9 as ordinary resolutions, and as to resolutions 10 and 11 as special resolutions

- 1 To receive the Directors' Report and statement of accounts for the year ended 30 September 2010
- 2 To approve the Directors' Remuneration Report for the year ended 30 September 2010
- 3 To approve the annual dividend
- 4 To re-elect Josephine Dixon as a Director of the Company
- 5 To re-elect Saul Estrin as a Director of the Company
- 6 To elect Ivo Coulson as a Director of the Company
- 7 To re-appoint KPMG Audit Ptc 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
- 8 To authorise the Directors to determine the Auditors' remuneration

## Special business

To consider the following resolutions

### 9 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 £172,336 (being approximately 5% of the issued share capital of the Company as at 30 November 2010 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

### 10 Authority to disapply pre-emption rights on allotment of ordinary shares – Special Resolution

That if resolution 9 set out in the notice convening the Annual General Meeting of the Company dated 1 December 2010 (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 9 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 £188 927,

## Notice of Annual General Meeting (cont'd)

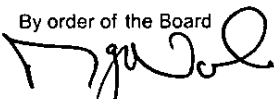
such power to apply until the end of next years AGM but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the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

### 11 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 10 pence each in the capital of the Company (the "shares") provided that

- (a) the maximum number of shares hereby authorised to be purchased shall be 5,166,620 (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 10 pence,
- (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 2012, or 17 July 2012 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

By order of the Board



M J Nokes

Secretary

1 December 2010

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, 16 January 2011
- 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 16 January 2011 (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 30 November 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 34,467,110 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 30 November 2010 are 34,467,110
- 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](http://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, 16 January 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to

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

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](http://www.bee-plc.com).

### Inspection of documents

The following documents will be available for inspection at the Company's registered office from 1 December 2010 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

## 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	£850 per month
Lump sum investment	£3 000 (Additional lump sum top-ups of £1,000)	£10 200 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 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](http://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

**Baring Asset Management Limited**

155 Bishopsgate

London EC2M 3XY

Telephone 020 7628 6000

(Authorised and regulated by the Financial Services Authority)

**[www.baring.com](http://www.baring.com)**

Registered in England and Wales no 02915887

Registered office as above