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Annual Report & Audited Financial Statements

for the year ended 30 September 2011

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Baring Emerging
Europe PLC

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Directors and officers

Directors

Steven Bates, Chairman
Josephine Dixon
Saul Estrin
Jonathan Woollett
Ivo Coulson
John Cousins (retired 18 January 2011)

Secretary

M J Nokes, F C A

Registered office

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London EC2M 3XY

Company number

4560726

Investment Manager

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Custodian

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Financial highlights

	2011	2010
Net asset value per ordinary share ("NAV")	701.50p	912.60p
Revenue return per ordinary share	10.99p	2.91p
Dividends per ordinary share	10.00p	2.90p
Share price	638.00p	818.00p
Total expense ratio ("TER") (based on average monthly NAV)	1.20%*	1.23%

*Excluding the effect of VAT recovered (as per page 7 & 18)

Performance (total return basis)

	Year ended 30 September 2011
Net asset value per ordinary share*	-23.9%
Share price*	-21.8%
Benchmark*	-17.4%

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

*Source AIC

Discount (at 30 September)

	2011	2010
Discount to net asset value per share	9.1%	10.4%

Investment objective

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

The Investment Manager

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

Financial calendar

Annual general meeting for 2011	[16] February 2012
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,

It has been another year of volatile markets across the world and Emerging Europe has not escaped. At the half year stage, I commented on how surprising it was that markets had been so resilient in the teeth of the economic difficulties the world faces. In the second half of your Company's year, this resilience cracked and the chickens came home to roost. In the hope of giving you a full explanation of what has happened in the past year, I have split this statement into the four key sections on which your Board concentrates and will close with some comments about the outlook for the investment environment in our region.

Investment Returns

For the first six months of the year, the NAV of the Company rose by 14.7%. Markets seemed willing to ignore the trouble brewing in the sovereign debt markets in the eurozone and were optimistic that something akin to normal economic growth was established in the developed world. That now feels like a different era. Since the end of March, the NAV has fallen by 34% to give a return for the year of -24%. This is disappointing and all the more so as it represents an underperformance of the Company's benchmark. The decline has come against a background of waning economic activity in the developed world and further uncertainty in the state of sovereign debt markets in the eurozone. Investors have voted with their feet and sold down any assets perceived as risky. Emerging Europe falls into this category and was one of the victims of the flight from risk.

The principal reason for the underperformance of the Company against its benchmark is poor stock selection in Russia. A full explanation is given in the manager's report which follows. Against the peer group using the Morningstar Emerging Europe Universe in the year ended 30 September 2011 the Company was ranked 74th out of 95 funds in this universe. Over three years to 30 September 2011 it was ranked 46th out of 91 funds and over five years it was ranked 16th out of 85 funds. In the longer term, performance remains good since the establishment of the Company in its current form in 2002, the NAV has risen by 16.4% per annum.

The Board continues to have confidence in the Company's fund management team, led by Matthias Siller. He is an experienced investor in the region with a solid analytical approach both to the economic environment and to the task of identifying attractive companies. This has been a difficult year, but we remain confident that the decision making process is of high quality and that the level of resource applied to the investment task is more than adequate. These factors are likely to be rewarded in good relative performance over time.

Discount Management & Tender Offer

As you know, the Board has had a robust approach to the management of the discount to NAV for many years. We believe that the consistent application of a discount control mechanism is advantageous to shareholders. For many years, we have bought stock in to control the discount and the market understands that we are committed to this approach. Despite the market volatility of the past year, the discount has averaged 9.0%, which is slightly less than was the case in the previous fiscal year and we have bought back 1,492,000 shares for cancellation for £13,054,000. Subsequent to the year end a further 547,000 shares have been repurchased for cancellation. Despite the success of this policy in containing the discount, the Board believes that it is an appropriate time to tighten the discount further and to offer shareholders the opportunity to receive a return of capital closer to NAV.

Following consultation with its advisers and certain major shareholders, on 12 December 2011, the Board announced that it was proposing, subject to obtaining necessary shareholder approval, to undertake a tender offer (the "Tender Offer") to facilitate a return of capital in respect of up to 20% of the Company's shares in issue. In addition, the Board proposes a change to the Company's discount control mechanism such that it will target an ongoing rating for the Company narrower than 10%. The details are as follows.

Chairman's statement (cont'd)

Tender Offer

Under the Tender Offer, shareholders (other than certain excluded overseas shareholders) will be entitled to tender up to 20% of their holdings for repurchase by the Company. Shareholders may have the opportunity to tender additional shares beyond this basic entitlement, subject to the level of participation in the Tender Offer by other shareholders. The tender price will be the equivalent of 97% of the Company's prevailing net asset value per share ("NAV"), which in the Board's opinion reflects an equivalent value in current markets close to that which would be achieved upon liquidation of the Company.

Adjustment to discount control mechanism

The Board also proposes to adopt a policy of seeking to limit the price at which the Company's shares trade to a level significantly lower than a 10% discount to NAV by making purchases of its shares in the market from time to time. This will be in place of the current policy of seeking to limit the price to a level lower than a 12% discount.

This will be in addition to the existing policy that 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 the target discount, the Company will, subject to the conditions outlined below, make a tender offer available to all shareholders to repurchase up to 15% of the outstanding issued share capital of the Company at a price equivalent to 95% of NAV or greater (after taking account of any expenses including the costs of selling investments in order to fund the repurchase). Any shares repurchased will, at the discretion of the Company, either be held in treasury and may be issued at a later date at or above net asset value, or may otherwise be cancelled.

In order to implement this adjusted policy, the Board intends to seek shareholder authority at the Company's annual general meeting each year to repurchase up to 15% of its issued share capital. The timing of any tender offer to repurchase shares under the policy will be at the discretion of the Company. The making of any offer will be conditional upon the Company having the required shareholder authority or such shareholder authority being obtained, the Company having sufficient distributable reserves to effect the repurchase and, having regard to its continuing financial requirements, sufficient cash reserves to settle the relevant transactions with shareholders, and the Company's continuing compliance with the Listing Rules and all other applicable laws and regulations. The Company may require a minimum level of participation in any tender offer to be met, failing which the tender offer may be declared void.

Expected timetable

Further details of the proposals for the Tender Offer will be contained in a circular which will be sent to the Company's shareholders as soon as practicable in order to convene the general meeting of shareholders necessary to approve the implementation of the Tender Offer.

It is intended that the general meeting of shareholders will be convened on the same day as the Company's annual general meeting.

The Board believes that the proposals enable shareholders wishing to realise all or part of their investment in the Company to do so at a price close to realisable value whilst at the same time providing a NAV uplift for continuing shareholders together with a more robust discount policy. Equally, it is the view of the Board that these proposals maintain the integrity of the investment portfolio and allow flexibility for investment performance to improve in the medium term.

Chairman's statement (cont'd)

Governance

This was a relatively 'normal' year from a governance point of view, although there will be substantial changes over the next couple of years as a result of new regulation following the crisis in 2008. Your Board reviewed all its external relationships and focused particularly on custody, following scrutiny of where the responsibility lies for any problems in this area. While this is crucial for any investment trust, it bears close examination in Emerging Europe because of the relative underdevelopment of capital markets in our region. Following our review, the Board is confident that our custodial arrangements are as robust as is possible in our investment environment.

VAT

We reported in an interim statement at the end of June that on 24 May 2011 the Company announced that it had recovered £328,000 of VAT on management fees and performance fees invoiced since the Company's inception in December 2002 until 31 March 2005, together with interest thereon of £58,000. This recovery had not previously been recognised as an asset by the Company due to the uncertainty of the recovery and has resulted in an uplift of 1.15 pence to the net asset value. The VAT recovered and interest 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. This completes the recovery of VAT on management and performance fees.

Dividend

The flow of dividend income from the portfolio companies has increased significantly from £5.4 million in 2010 to £8.4 million in 2011, an increase of 55%. This in particular reflects a significant increase in the level of dividends from the Russian portfolio. In addition, 2011 has benefited from the recovery of the final amount of VAT suffered on management fees of £275,000 together with interest of £58,000. This has resulted in an increase in the net revenue after tax from £1.0 million in 2010 to £3.7 million in 2011.

In previous years the Company has paid an annual dividend following shareholder approval at the annual general meeting. As the annual general meeting will be held slightly later than usual in 2012 the Board has decided to pay the dividend for the year ended 30 September 2011 as an interim dividend which will enable us to maintain a similar dividend timetable as in previous years. The Board has therefore declared an interim dividend of 10.0p per ordinary share for the year ended 30 September 2011 out of income available for distribution of 10.99p per share which will be paid on 1 February 2012 to shareholders on the register on 6 January 2012. The shares were marked ex-dividend on 4 January 2012.

Directorate

Following the retirement of John Cousins and the election of Ivo Coulson at the AGM in January there have been no further changes to the Board and none are anticipated in the short run. Every year, we conduct a review of the Board to ensure that we have the appropriate mix of skills and experience. This is an exercise we take seriously as we recognise that we operate in a complex area which is in constant flux and we need to remain both current on the issues and critical of our suppliers.

Each year the Nomination Committee discusses the contribution of those Directors offering themselves for re-election at the subsequent AGM. This year Jonathan Woollett and I retire by rotation and being eligible, offer ourselves for re-election.

Chairman's statement (cont'd)

Shareholder Communication

I would re-iterate what I said last year this is your Company and I and my Board colleagues encourage all shareholders to let us know of any specific issues of concern at any point I also encourage you to attend the AGM, which will be held on Thursday, 16 February 2012 at 155 Bishopsgate London EC2M 3XY starting at 11 00am The formal business will, as usual, be preceded by a presentation from Matthias Siller, after which there will be an opportunity for shareholders to raise any specific issues with him or with any member of the Board

Outlook

Emerging European markets are being driven more by events in the developed world than by what is happening domestically This dependence reflects two dominant themes which have been determining investor behaviour the first is that weak economic activity in the EU and US will dampen demand for products from the emerging world, the second is that anything which smells of risk is being sold As far as the first concern goes, it is true that demand is likely to slacken, but our region is still growing and has the capacity to orientate itself more to domestic consumption should export markets fail As to the second, it is ironic that investors fleeing solvency risk (in the shape of Euro sovereigns) also flee perfectly solvent countries which happen to have volatile stock markets Whatever one thinks of this stock market logic, the results have been dramatic

Where does that leave us? Economic growth is likely to be contained by the process of balance sheet restructuring going on across the developed world, as indebted consumers pay down debt Most current investment practitioners have not lived through a period like this, so forecasting is more than usually difficult Nevertheless, it does not seem unreasonable to expect a long period of sluggish growth punctuated by frequent slowdowns Compared to this, the growth prospects in Emerging Europe look and will continue to look attractive

On the sovereign debt issue, a consensus is beginning to emerge about both the scale of the problem and the shape of a solution Unfortunately, these both require unanimity amongst European politicians which is unpredictable and will contribute to market volatility The longer term problems implied in the huge increase in sovereign debt which is needed to restore market confidence will mean a significant increase in inflation in the medium term, although at the moment this lies beyond the horizon

In Emerging Europe itself, economic issues are more predictable, with the usual mix of good and bad Politics in Russia, our largest market, have taken a surprising turn with signs of genuine popular opposition to the regime It is too early to predict how this will unfold, but moves in the direction of populism seem likely Turkey, by comparison, is considered stable compared with the past Stock market valuation has fallen sharply across the region, and many stocks now trade at prices which imply a level of distress which is not present The manager is therefore finding individual stock opportunities in markets which are growing, and he is taking advantage of these Of course we can be blown off course by the storms elsewhere, but the general course setting in our region is positive

Steven Bates

Chairman

10 January 2012

Report of the Investment Manager

for the year ended 30 September 2011

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 year was split into two very distinctive halves. While the Company's Net Asset Value performed strongly in the first half year of the review period, the six-month period from 31 March brought a severe market correction that led to an overall reduction in NAV of 23.79% over the course of the year.

It was a year of drama: the first half saw the unfolding of events in the Arab world that significantly increased the risk premium for oil and the disastrous earthquake in Japan. At the same time an inability to come to terms with the budgetary crises in the European periphery resulted in a policy vacuum at the heart of the EU. While these events are not connected, taken together they seriously affected global economic growth prospects and led to a significant deterioration in investor sentiment.

Against this challenging backdrop, Baring Emerging Europe PLC underperformed its benchmark index over the period, ending the 12 months to 30 September in the fourth quartile of the peer group of Emerging European equity funds.

The main reason for the underperformance was stock selection in Russia, by far the largest component of the benchmark index, representing 59.6% of the whole. Within Russia, the portfolio was hurt by stock selection in the materials sector, where our strategy of focusing on attractively valued companies over more expensive ones did not work during this time of uncertainty.

Exposure to other markets was either neutral or contributed positively to performance over the period. One example was Hungary, where our decision to reduce the portfolio's exposure to the market helped the Company avoid a sharp decline. The Hungarian market ended the year down by more than 37% in US dollar terms. Another was Turkey, where we successfully added value for investors by adjusting the portfolio's exposure, often ahead of the consensus view, as investment conditions changed.

In terms of sector exposure, we were right to reduce exposure to the materials sector early in the year as economic conditions deteriorated, and investors benefited from our decision to increase gradually the portfolio's investment in the energy sector, where elevated oil prices pushed shares up. While these positives were not sufficient to offset stock selection in the materials sector in Russia during the reporting period, they did help (in part) to mitigate the negative effects.

Strategy

The pronounced sell-off in markets in the second half of the year followed a collapse in global growth expectations and the fully-fledged escalation of the Euro-crisis. As it became clear that the pace of global growth, and US growth in particular, was slowing down significantly, investors worried about the outlook for economic activity and began to anticipate an environment where growth slows dramatically or fails to materialize for an extended period – a period of economic stagnation.

Report of the Investment Manager (cont'd)

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Economically sensitive assets were affected much more than the general market as conditions worsened over the summer and investors started to express a high degree of concern. Not surprisingly, this development was accompanied by sharp outflows from so-called "risky assets", emerging markets not being spared. Here, investors followed the classic pattern of selling equities first and then turning their attention to emerging market currencies and bonds. September saw the culmination of selling pressure.

In Emerging Europe, markets followed a similar pattern with the important exception of the Turkish stock market, where the unorthodox monetary policy followed by the Turkish Central Bank provoked concerns that inflation might accelerate and be higher than targeted. Turkish equities moved sideways during the first half of the year, underperforming Central European markets and Russia by 21% and 28% respectively.

In the second half of the year, though, the domestically-focused nature of the Turkish economy, its well-capitalised banking sector – in contrast to much of developed Europe – and a general improvement in the inflation outlook prompted a reassessment of investor attitudes towards Turkey. Although the market still declined,

it proved more resilient than most, declining by 29.5% in US dollar terms. This clearly illustrates the magnitude of the fall in share prices between 30 April and 30 September even if one considers that, in the case of Turkey, the major blame lies with the Turkish Lira, which contributed -22.3% to this negative performance.

The Russian market was the best performer over the course of the year, though falling by 11% in US dollar terms. This performance lagged developed markets by only 2% during the same period, something achieved by few other emerging markets over that time. While Russia also was subject to selling pressures in the second half of the year, it still managed to outperform Central European exchanges in both halves. High commodity prices, especially the resilience of oil prices, further increased Russia's current account surplus. Tax intake is far above budget plans and company earnings stand at all-time highs.

We continued to favour Russia and the other former Soviet Republics in the Commonwealth of Independent States during the year to benefit from the attractive share price valuations and strong earnings growth exhibited by companies in the region. We actively managed the portfolio's exposure to Turkey to benefit from the volatility of this market during the reporting period. We were generally cautious towards the Central European markets throughout the year, with a particularly low exposure to Hungary.

Market Prospects

With markets being held hostage by global growth fears and the Euro crisis, we are focused on attractively valued companies with tangible growth exposure in highly liquid markets with prudent fiscal policies and low political risk.

While affected in very different ways by the ongoing slowdown in global growth and the uncertain liquidity conditions, Poland, Turkey and Russia generally score well under these assumptions.

Report of the Investment Manager (cont'd)

The open Polish economy will be affected by significantly lower growth rates in the EU and in Germany in particular. On the positive side, the recent election brought a victory for the centre-right government, the first time a government has been re-elected in Poland since the end of Communism. While one can sense an increasingly hostile environment towards foreign portfolio investment in some parts of Central Europe, particularly Hungary, it was encouraging to see that the Polish electorate decided against playing the nationalist card.

While next year's European football championship in Ukraine and Poland will attract the attention of football fans all over the world, the government's tasks are also quite challenging and will be closely followed by the market. The fiscal expansion that had successfully supported growth and, importantly, consumer sentiment, will have to come to an end and austerity measures will need to be implemented in Poland to keep the bond markets calm and help to bring the fiscal deficit under control.

In Turkey, the unorthodox monetary policy implemented by the Central Bank created inflationary pressures and led to volatility on the foreign exchange markets. Since high currency volatility undermines consumer and investment sentiment, the policy might very well become much more orthodox in future. In our view, this means that short-term interest rates are likely to rise from here, curbing domestic demand and eating into bank profit margins.

Prime Minister Erdogan's efforts to become the first publicly elected President in Turkey (the presidential vote used to be cast by parliament) won't make the Central Bank's job any easier, as the ruling AK-Party will try to prevent any measures which are likely to lead to a deterioration in growth ahead of the election. Meanwhile, the Turkish banking sector demonstrated once again how well run the vast majority of Turkish banks are by safely steering through the storms in global financial markets. Access to external sources of funding (mainly the syndicated bond market) was available throughout the year.

Next year, the slowdown in loan demand as the Turkish economy cools and short-term interest rates increase in combination with higher funding costs bodes ill for the banking sector's profit growth potential, while the export oriented manufacturing sector might benefit from the significant depreciation of the Turkish Lira.

Russia's stock market currently trades at multi-year lows in valuation terms, even though 2011 will be the most profitable year for Russian listed companies in net income terms ever. This conundrum can be partially explained by the economically-sensitive nature of the economy and the general skepticism of stock market investors as to the long term growth outlook and political environment. Conversely, recent news on foreign direct investment paints a completely different picture as merger and acquisition activity has recently picked up significantly across almost all sectors.

In the future, the government's intention to take advantage of Russia's unique competitive advantage – the abundance of natural resources – to support an ever increasing social bill and public sector payroll means that the general stance of the Russian government is likely to remain extremely investor friendly. This, together with a very favorable liquidity position and a high level of demand amongst consumers which has yet to be tapped in any significant way will provide growth opportunities for investors for years to come.

Prime Minister Putin's decision to run again for the Presidency and Finance Minister Kudrin's decision to resign shortly after have raised questions about the political direction the new President will lead the nation in, with a successful economic policy remaining key to the implementation of reforms. Recently we have seen political protests in Moscow, as support for the ruling United Russia party slumped to just 49% of the popular vote in parliamentary elections on 4th December, down from 64% in 2007. Although a source of uncertainty in the short term, we believe these protests are unlikely to spread and could actually, over time, hasten the reforms promised by the Kremlin.

The agenda of Prime Minister Putin should not be confused with that of the United Russia party he leads. Mr Putin stands for President in the elections in March 2012, and if the political mood has changed, he could well distance himself from the party and position himself as a "driving force" to hasten reform. We believe it is a step too far to draw parallels between the protests in Moscow and the developments of the "Arab Spring" however. Russia remains, at heart, a conservative country, and United Russia still holds 49% of the popular vote.

Report of the Investment Manager (cont'd)

Outlook

We believe the case for investing in the region remains compelling, especially in the larger economies and highly liquid markets of Poland, Turkey and Russia

While the effects of the European debt crisis will continue to influence markets in the short term, we strongly believe that recent developments will lead international investors to distinguish developed Europe from Emerging Europe

The 500 million inhabitants of Emerging Europe will be equally subject to increasing competition and lower rates of global growth, but benefit from strong corporate and national balance sheets, low levels of leverage, a successful history of attracting foreign direct investment and rich resource base

With all these advantages, we believe the region will continue to deliver growth across many sectors while equity markets trade near their lowest valuation levels ever compared to history

Company weighting versus benchmark by country of operation at 30 September 2011

	Company	Benchmark
Czech Republic	1 5%	4 1%
Hungary	1 1%	3 3%
Poland	13 1%	16 6%
Russia	55 5%	59 6%
Turkey	23 3%	16 4%
Other	4 0%	–
Cash	1 5%	–
	100 0%	100 0%

Source: Barings, MSCI

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Report of the Investment Manager (cont'd)

Equity portfolio

The Company's equity portfolio at 30 September 2011, is set out in the following table

	Holding	Primary country of listing or investment	Market value £000	% of equity portfolio
1	Lukoil Holdings	Russia	22,868	10.02
2	Sberbank	Russia	22,784	9.99
3	Gazprom	Russia	18,871	8.27
4	Garanti Bank	Turkey	12,326	5.40
5	Rosneft	Russia	10,950	4.80
6	Halk Bank	Turkey	10,814	4.74
7	PKO BP	Poland	10,627	4.66
8	VTB Bank	Russia	10,002	4.38
9	IS Bank	Turkey	9,643	4.23
10	Novatek	Russia	6,629	2.91
11	Koc Holdings	Turkey	6,003	2.63
12	Eurocash	Poland	5,758	2.52
13	Turkiye Petrol	Turkey	4,925	2.16
14	PZU	Poland	4,534	1.99
15	Mechel	Russia	4,402	1.93
16	Mobile Telesystems	Russia	4,351	1.91
17	Novolipetsk Steel	Russia	3,619	1.59
18	Komerční Bank	Czech Republic	3,483	1.53
19	Uralkali	Russia	3,288	1.44
20	X5 Retail Group	Netherlands	3,023	1.32
21	Ferrexpo	United Kingdom	2,820	1.24
22	Eurasian Natural Resources	United Kingdom	2,812	1.23
23	JSW	Poland	2,808	1.23
24	OTP Bank	Hungary	2,555	1.12
25	Bank Pekao	Poland	2,355	1.03
26	Bim Birlesik Magazalar	Turkey	2,339	1.02
27	Dogus Otomotiv Ser	Turkey	2,235	0.98
28	Global Ports	Russia	2,161	0.95
29	Raspadskaya	Russia	1,950	0.85
30	Warsaw Stock Exchange	Poland	1,837	0.80
31	LSR	Russia	1,809	0.79
32	O'KEY Group	Russia	1,657	0.73
33	Nomos Bank	Russia	1,632	0.72
34	KGHM Polska	Poland	1,627	0.71
35	Kazakhmys	United Kingdom	1,616	0.71
36	Global Trans	Russia	1,444	0.64
37	Pinar Sut	Turkey	1,350	0.59
38	Kazmunaigas Exploration	Kazakhstan	1,258	0.56
39	Pharmstandard	Russia	1,244	0.55
40	Banvit Bandirma Vitaminli	Turkey	1,162	0.51

Report of the Investment Manager (cont'd)

	Holding	Primary country of listing or investment	Market value £000	% of equity portfolio
41	Eurasia Drilling	Russia	1,157	0.51
42	E ON Russia	Russia	1,155	0.51
43	Enka Insaat	Turkey	1,097	0.48
44	Ros Agro	Russia	1,034	0.45
45	Phosagro	Russia	942	0.41
46	Yapı Ve Kredi Bank	Turkey	941	0.41
47	PGE	Poland	857	0.37
48	Holding Co Sibcem	Russia	715	0.30
49	Tekfen Holding	Turkey	586	0.26
50	Rushydro	Russia	576	0.25
51	Tofas Turk Otomobil Fabri	Turkey	571	0.25
52	Nova Kreditna Bank	Slovenia	524	0.23
53	Polymetal	Russia	404	0.18
54	Getin Holding	Poland	23	0.01
	Total Investments		228,153	100.00

Classification of assets

The Company's Portfolio as per MSCI at 30 September 2011 was

Percentage classification of assets based on valuation

	Russia	Hungary	Poland	Czech Republic	Turkey	Other Countries	Net Current Assets	Total 2011	Total 2010
Consumer Discretionary	–	–	2.5	–	1.2	–	–	3.7	5.1
Consumer Staples	2.5	–	–	–	2.1	–	–	4.6	2.1
Energy	26.0	–	–	–	2.1	0.5	–	28.6	20.5
Financials	15.6	1.1	8.3	1.5	14.5	0.4	–	41.4	35.6
Healthcare	0.5	–	–	–	–	–	–	0.5	1.6
Industrials	1.8	–	–	–	3.4	–	–	5.2	1.3
Materials	6.4	–	1.9	–	–	3.1	–	11.4	15.9
Telecommunication Services	1.9	–	–	–	–	–	–	1.9	10.5
Information Technology	–	–	–	–	–	–	–	–	–
Utilities	0.8	–	0.4	–	–	–	–	1.2	5.0
Total equity investment	55.5	1.1	13.1	1.5	23.3	4.0	–	98.5	97.6
Net current assets	–	–	–	–	–	–	1.5	1.5	2.4
Total 2011	55.5	1.1	13.1	1.5	23.3	4.0	1.5	100.0	–
Total 2010	56.3	4.6	9.8	3.7	18.5	4.7	2.4	–	100.0

Report of the Investment Manager (cont'd)

GRAPHIC REMOVED

Baring Asset Management Limited
20 December 2011

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 2011

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 1158 of the Corporation Tax Act 2010 for the year ended 30 September 2010. 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). 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 1158 of the Corporation Tax Act 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 2011, 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. Gearing was not employed during the year due to adverse market conditions and extreme volatility/uncertainty.

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 declared an interim dividend of 10.00p per share compared with 2.90p for the previous period. The interim dividend will be paid on 1 February 2012 to members on the register at the close of business on 6 January 2012. The shares were marked ex-dividend on 4 January 2012. Due to the delay in holding the Annual General Meeting in 2012 the annual dividend in respect of the year ended 30 September 2011 will be paid as an interim dividend to avoid delaying the date of payment.

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 2011, 1,492,000 shares were repurchased at a cost of £13,054,000 (2,166,599 shares were repurchased during the year ended 30 September 2010 at a cost of £17,486,000). 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 2011 the Company was ranked 74th out of 95 funds in this universe. Over three years to 30 September 2011 it was ranked 46th out of 91 funds and over five years it was ranked 16th out of 85 funds.
- **Performance against the benchmark index**

A chart of NAV performance versus benchmark for the five years ended 30 September 2011 (total return) is set out in the Directors' Remuneration Report on page 29.
- **Discount to NAV**

In the year ended 30 September 2011 the shares traded at an average discount of 9.0%.
- **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 2011 was 1.20% (2010: 1.23%) excluding performance fee and the effect of VAT recovered. No performance fee is payable in respect of the year ended 30 September 2011 (2010: no performance fee 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 1158 of the Corporation Taxes Act 2010. A breach of Section 1158 in an accounting period could lead to the Company being subject to corporation tax on gains realised in that accounting period. Section 1158 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 21 to 25

- **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 45 to 48

- **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 12.

2. Directors

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

Steven Bates (54) 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.

Josephine Dixon (52) is a director of Worldwide Healthcare Trust PLC and of Standard Life Equity Income 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 (59) 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 (54) 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 Barrng Emerging Europe PLC on 23 July 2008.

Ivo Coulson (47) 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 Barrng Emerging Europe PLC on 29 September 2010.

In accordance with the Articles of Association Steven Bates and Jonathan Woollett retire by rotation and being eligible, offer themselves for re-election.

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

Beneficial	9 January 2012	30 September 2011	30 September 2010
Steven Bates	3,000	3,000	3,000
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	3,000	3,000	–

There were no contracts or arrangements subsisting during or at the end of the financial year in which any Director is or was materially interested. No Director held a shareholding in any of the investments in the Company's portfolio during the year ended 30 September 2011.

3. Substantial shareholdings

At 9 January 2012, the Company had received notification of the following disclosable interests in the ordinary share capital of the Company.

	Number of shares	%
City of London Investment Management Ltd	8,447,735 shares	26.05%
Lazard Asset Management LLC	1,808,710 shares	5.58%
Sarasin & Partners LLP	1,768,686 shares	5.45%
Legal & General Group plc	1,406,000 shares	4.34%
Advance Developing Markets Fund Ltd	1,249,894 shares	3.85%

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 five non-executive Directors and is chaired by Steven Bates. All the Directors are considered by the Board to be independent of the Investment Manager. Their biographies are set out on pages 19 and 20. Collectively the Board has the requisite range of business and financial experience which enables it to provide clear and effective leadership and proper stewardship of the Company.

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

	Board	Audit Committee	Nomination Committee
Number of meetings in the year	4	2	1
Steven Bates	4	2	1
Josephine Dixon	4	2	1
Saul Estrin	3	1	1
Jonathan Woollett	4	2	1
Ivo Coulson	4	2	1
John Cousins (retired 18 January 2011)	1	1	–

All of the Directors attended the Annual General Meeting held in January 2011.

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 Russia during September 2011.

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 re-election of Steven Bates and Jonathan Woollett who retire by rotation and offer 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 Auditor, including their remuneration and the provision of any non-audit services. Non-audit services provided by the Auditor mainly comprised work on the Company's taxation affairs. The Committee has considered the independence of the Auditor 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 Auditor also attends this Committee at its request and report on its 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

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 29.

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 Barings 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)

Accountability and audit

Set out on page 30 is a statement by the Directors of their responsibilities in respect of the accounts. The Directors believe that, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolios and expenditure projections, the Company has adequate resources and an appropriate financial structure in place to continue in operational existence for the foreseeable future. The assets of the Company consist mainly of securities which are readily realisable. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

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 Auditor is 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 Auditor is 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.

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were executed on 20 April 2011 and are currently in force.

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 conducts 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 portfolio management 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 the Company recovered £328,000 of VAT on management fees invoiced since the Company's inception in December 2002 until 31 March 2005, together with interest thereon of £58,000 (in 2010 no VAT on past management fees was recovered). This recovery had not previously been recognised as an asset by the Company due to the uncertainty of the recovery and has resulted in an uplift of 1.15 pence to the net asset value. The VAT recovered and interest 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. This completes the recovery of VAT on management and performance fees.

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 was 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 2011.

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 2011.

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. Corporate Governance and Voting Policy

The Company delegates responsibility for voting to its investment manager, Baring Asset Management Limited (Barings). The following is a summary of Barings' statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from the Barings website (www.barings.com) and is contained within the paper titled "Corporate engagement at Barings" dated December 2010.

Report of the Directors (cont'd)

"Barings is charged to secure a satisfactory rate of return on capital entrusted to it by its clients. We do this by providing companies with their risk capital, buying stocks and shares which we believe will outperform the broader market and deliver these returns to our clients.

We assess these companies and decide which to invest in through a process of fundamental research. As long-term investors, corporate engagement is at the heart of what we do. It is particularly relevant for equity investing, where we will develop and maintain a purposeful dialogue on strategy, performance and the management of risk, but it is also an integral part of the investment process for sub-investment grade (or "high yield") credit.

In our assessment of the risk factors, before making an investment in these classes we will take in to account the corporate governance structure of the company, judging whether the structure could inhibit the delivery of good returns and whether the interests of the management are aligned with those of the investors in the company.

We make use of an external agency, Institutional Shareholder Services (ISS) Voting Services to assist on our voting procedures. ISS gives recommendations which we assess and then we vote in accordance with what we believe to be in the best interests of our clients."

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 Thursday, 16 February 2012 at 11.00am. The formal notice of the AGM is set out on pages 49 and 50. Separate resolutions are proposed for each substantive issue. Resolutions relating to the following items of special business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Act 2006.

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

Approval is sought to give the Board the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £162,141 (representing 1,621,406 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 9 January 2012, being the latest practicable date prior to publication of the notice of meeting on pages 49 and 50 (the "Notice").

As at the date of the Notice, 3,318,207 ordinary shares are held by the Company in treasury. This amount represents 9.28% of the total ordinary share capital in issue (including treasury shares) as at the latest practicable date prior to publication of the Notice.

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

Resolution 8 would, if passed, give the Board the authority to allot shares (or sell any shares held in treasury) for cash on a non pre-emptive basis up to an aggregate amount of £178,732. This amount represents 1,787,316 shares and is approximately 5% of the total share capital of the Company in issue (including treasury shares) as at 9 January 2012, 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.**

Report of the Directors (cont'd)

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

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

If Resolutions 7 and 8 are approved, the authorities will expire at the conclusion of the AGM in 2013.

Authority to purchase own shares (resolution 9)

At the AGM held on 18 January 2011, 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 1,492,000 shares were purchased and cancelled during the year under review. This represented 4.52% of the issued share capital at 30 September 2011. The prices paid for these shares ranged from 900.52p to 805.00p and the total cost amounted to £13,054,000. 547,000 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 4,860,974 ordinary shares as at 9 January 2012, 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 2013 or 15 August 2013, 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 49 and 50.

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.

Report of the Directors (cont'd)

11. Conflict of interest

Section 175 of the Companies Act 2006, which came in to 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.

12. Companies Act 2006 Disclosures

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

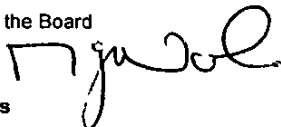
- the Company's capital structure is summarised on page 43, voting rights are summarised on page 51, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights,
- there exist no securities carrying special rights with regard to the control of the Company,
- details of the substantial shareholders in the Company are listed on page 20,
- 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. Auditor

The Company's Auditor, 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

10 January 2012

Directors' Remuneration Report

for the year ended 30 September 2011

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 2011 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)

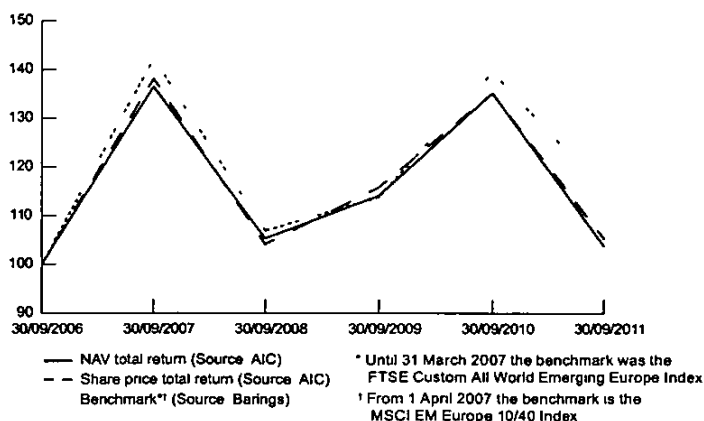
The Directors who served during the year received the following emoluments in the form of fees:

	2011 £000	2010 £000
Steven Bates	30.0	27.7
Josephine Dixon	25.0	25.0
Saul Estlin	22.5	22.5
Jonathan Woollatt	22.5	22.5
Ivo Coulson	22.5	–
John Cousins (retired 18 January 2011)	6.7	22.5
Total	129.2	120.2

Share price performance

The following graph compares the share price and net asset value performance against the benchmark**.

5 year performance versus benchmark



Approval

A resolution for the approval of the Directors' Remuneration Report for the year ended 30 September 2011 will be proposed at the Annual General Meeting.

By order of the Board

M J Nokes
Secretary

10 January 2012

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 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 information has been prepared in accordance with applicable UK accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- b) the Annual Report and Accounts, to be published shortly, 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 they face

For and on behalf of the Board

Steven Bates

Chairman

10 January 2012

Independent Auditor's 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 2011 set out on pages 33 to 48. 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 Chapter 3 of Part 16 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and 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 website at www.frc.org.uk/apb/scope/private.cfm

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 2011 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.

Independent Auditor's 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 30, in relation to going concern,
- the part of the Corporate Governance Statement on pages 21 to 25 relating to the Company's compliance with the nine provisions of the Combined Code on Corporate Governance specified for our review, and
- certain elements of the Report to Shareholders by the Board on directors' remuneration



N Palmer (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

10 January 2012

Income statement

(incorporating the Revenue Account*) for the year ended 30 September 2011

Notes	Year ended 30 September 2011			Year ended 30 September 2010			
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	
(Losses)/gains on investments held							
at fair value through profit or loss	10	–	(72,963)	(72,963)	–	51,798	51,798
Income	2	8,496	–	8,496	5,430	–	5,430
Investment management fee	3	(2,593)	–	(2,593)	(2,422)	–	(2,422)
VAT recovered from HMRC							
on management fees	4	275	53	328	–	–	–
Other expenses	5	(1,256)	–	(1,256)	(1,307)	–	(1,307)
Net return before finance costs and taxation		4,922	(72,910)	(67,988)	1,701	51,798	53,499
Finance costs	6	(13)	–	(13)	(17)	–	(17)
Return on ordinary activities before taxation		4,909	(72,910)	(68,001)	1,684	51,798	53,482
Taxation	7	(1,172)	–	(1,172)	(655)	–	(655)
Return attributable to ordinary shareholders		3,737	(72,910)	(69,173)	1,029	51,798	52,827
Return per ordinary share	9	10 99p	(214 41)p	(203 42)p	2 91p	146 54p	149 45p

*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 37 to 48 form part of these accounts

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

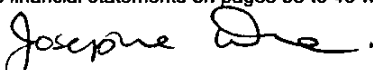
A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement

Balance sheet

as at 30 September 2011

	Notes	2011 £000	2010 £000
Non current assets			
Investments at fair value through profit or loss	10	228,153	307,030
Current assets			
Debtors	11	621	6,139
Cash at bank and in hand		2,980	1,846
		3,601	7,985
Creditors amounts falling due within one year	12	(434)	(469)
Net current assets		3,167	7,516
Net assets		231,320	314,546
Capital and reserves			
Called-up share capital		3,630	3,779
Share premium account		1,411	1,411
Special reserve		1,252	14,306
Redemption reserve		1,158	1,009
Capital reserve		218,205	291,115
Revenue reserve		5,664	2,926
Total equity shareholders' funds		231,320	314,546
Net asset value per share	14	701 50p	912 60p

The financial statements on pages 33 to 48 were approved by the Board on 10 January 2012 and signed on its behalf by



Josephine Dixon
Director

The annexed notes on pages 37 to 48 form part of these accounts

Company registration number 4560726

Reconciliation of movement in shareholders' funds

for the year ended 30 September 2011

	Called-up share capital £000	Share premium account £000	Special reserve £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
For the year ended 30 September 2011							
Beginning of year	3,779	1,411	14,306	1,009	291,115	2,926	314,546
Return for the year	–	–	–	–	(72,910)	3,737	(69,173)
Buyback of own shares for cancellation	–	–	(13,054)	–	–	–	(13,054)
Transfer to capital redemption reserve	(149)	–	–	149	–	–	–
Dividends paid	–	–	–	–	–	(999)	(999)
Balance at 30 September 2011	3,630	1,411	1,252	1,158	218,205	5,664	231,320

	Called-up share capital £000	Share premium account £000	Special reserve £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
For the year ended 30 September 2010							
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)
Balance at 30 September 2010	3,779	1,411	14,306	1,009	291,115	2,926	314,546

The annexed notes on pages 37 to 48 form part of these accounts

Cashflow statement

for the year ended 30 September 2011

		Year ended 30 September 2011 £000	Year ended 30 September 2010 £000
	Notes		
Operating activities			
Income received from investments		9,710	5,534
Interest received		–	1
Investment management fees paid		(2,565)	(3,404)
VAT recovered (including interest thereon)		328	–
Other cash payments		(1,262)	(1,268)
Net cash inflow from operating activities	15	6,211	863
Servicing of finance			
Interest paid		(13)	(17)
Taxation			
Overseas tax paid		(1,172)	(488)
Financial investment			
Purchases of investments		(193,474)	(84,457)
Sales of investments		203,635	95,391
Net cash inflow from financial investment		10,161	10,934
Equity dividends paid		(999)	(3,085)
Net cash inflow before financing		14,188	8,207
Financing			
Buyback of ordinary shares		(13,054)	(17,486)
Net cash outflow from financing		(13,054)	(17,486)
Increase/(decrease) in cash	16	1,134	(9,279)

The annexed notes on pages 37 to 48 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

This financial information is prepared under accounting policies set out in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the AIC in January 2009

All of the Company's operations are of a continuing nature

This financial information has been prepared under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value through profit or loss

(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

Notes to the accounts (cont'd)

1. Accounting policies (cont'd)

(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

(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 2011 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

	2011 £000	2010 £000
Income from investments		
Overseas dividends – Quoted	8,438	5,429
Other income		
Deposit interest	–	1
Interest on VAT recovered from HMRC	58	–
	8,496	5,430

Notes to the accounts (cont'd)

3. Investment management fee

Barings 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.

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. No performance fee was payable for either of the years ended 30 September 2011 and 30 September 2010.

The investment management fee comprises

	2011 £000	2010 £000
Basic fee (charged to revenue)	2,593	2,422

At 30 September 2011, £180,000 (30 September 2010: £205,000) of this fee remained outstanding.

4. VAT recovered from HMRC on management fees

	2011 £000	2010 £000
Recovered in respect of basic management fees – Revenue	275	–
Recovered in respect of performance fees – Capital	53	–
	328	–

On 24 May 2011, the Company received £328,000 of VAT on past management fees invoiced since the Company's inception in December 2002 until 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

	2011 £000	2010 £000
Custody and administration expenses	1,096	1,113
Auditor's remuneration for		
– audit	26	26
– other services*	14	39
Directors' fees	120	129
	1,256	1,307

*KPMG other services includes £9,000 for withholding tax work in Poland (2010: £31,000)

Notes to the accounts (cont'd)

6. Finance costs

(All charged to revenue)	2011 £000	2010 £000
On short-term loan and overdraft facility with State Street Bank & Trust Company repayable within 5 years, not by installments		
Bank overdraft	13	17
	13	17

7. Taxation

	2011 Revenue £000	2011 Capital £000	2011 Total £000	2010 Revenue £000	2010 Capital £000	2010 Total £000
(a) Current tax charge for the year:						
Overseas taxation (note 7(b))	1,172	–	1,172	655	–	655

(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.

	2011 Revenue £000	2011 Capital £000	2011 Total £000	2010 Revenue £000	2010 Capital £000	2010 Total £000
Return on ordinary activities before taxation	4,909	(72,910)	(68,001)	1,684	51,798	53,482
Return on ordinary activities multiplied by the standard rate of corporation tax of 27% (2010 28%)	1,325	(19,685)	(18,360)	472	14,503	14,975
Effects of:						
Non taxable overseas dividends	(2,692)	–	(2,692)	(1,520)	–	(1,520)
Overseas withholding tax	1,172	–	1,172	655	–	655
Capital gains not subject to tax	–	19,700	19,700	–	(14,503)	(14,503)
Excess management expenses unutilised/(utilised)	1,367	(15)	1,352	1,048	–	1,048
Current tax charge for the year	1,172	–	1,172	655	–	655

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 £2,326,000 (2010 £1,011,000) based on the long term prospective corporation tax rate of 26% (2010 27%) 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

	2011 Pence per share	2011 £000	2010 Pence per share	2010 £000
Annual dividend per ordinary share	10 00p	3,297	2 90p	1,000

9. Return per ordinary share

	Revenue	Capital	Total 2011	Revenue	Capital	Total 2010
Return per ordinary share	10 99p	(214 41)p	(203 42)p	2 91p	146 54p	149 45p

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £3,737,000 (2010 £1,029,000)

Capital return per ordinary share is based on net capital losses for the financial year of £(72,910,000) (2010 net capital profits of £51,798,000)

These calculations are based on the weighted average of 34,004,143 (2010 35,346,596) ordinary shares in issue during the year

At 30 September 2011 there were 32,975,100 ordinary shares of 10 pence each in issue (2010 34,467,110) which excludes 3,318,207 ordinary shares held in treasury (2010 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 2011 £000	Quoted overseas £000	Total 2010 £000
Czech Republic	3,483	3,483	11,519	11,519
Hungary	2,555	2,555	14,428	14,428
Poland	30,427	30,427	30,796	30,796
Russia	128,667	128,667	179,916	179,916
Turkey	53,991	53,991	58,373	58,373
Other	9,030	9,030	11,998	11,998
Total	228,153	228,153	307,030	307,030

Notes to the accounts (cont'd)

10 (ii) Movements in the year

	Quoted overseas £000	Unquoted £000	Total 2011 £000	Quoted overseas £000	Unquoted £000	Total 2010 £000
Book cost at beginning of year	212,664	95	212,759	201,824	104	201,928
Gains/(losses) on investments held at beginning of year	94,366	(95)	94,271	69,365	(104)	69,261
Valuation at beginning of year	307,030	–	307,030	271,189	–	271,189
Movements in year						
Purchases at cost	193,474	–	193,474	82,278	–	82,278
Sales proceeds	(199,353)	(35)	(199,388)	(98,226)	(9)	(98,235)
Gains on investments sold in year	47,752	–	47,752	26,788	–	26,788
(Losses)/gains on investments held at year end	(120,750)	35	(120,715)	25,001	9	25,010
Valuation at end of year	228,153	–	228,153	307,030	–	307,030

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 2011 amounted to £317,000 (2010 £125,000) and on sales for the year they amounted to £287,000 (2010 £186,000).

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

	2011 £000	2010 £000
Gains on investments sold in the year	47,752	26,788
(Losses)/gains on investments held at year end	(120,715)	25,010
Total (losses)/gains on investments	(72,963)	51,798

A list of the Company's investments by market value is shown on pages 13 and 14, a geographical classification on page 14 and industrial classification of the investment portfolio is shown on page 15.

Notes to the accounts (cont'd)

11. Debtors

	2011 £000	2010 £000
Amounts due within one year		
Amounts due from brokers	–	4,246
Prepayments and accrued income	621	1,893
	621	6,139

12. Creditors

	2011 £000	2010 £000
Amounts falling due within one year		
Other creditors	434	469
	434	469

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. There are no amounts outstanding in relation to this facility in either of the year end figures stated above.

13. Called-up share capital

	2011 £000	2010 £000
Allotted, issued and fully paid up		
36,293,317 (2010: 37,785,317) ordinary shares of 10 pence (fully paid)	3,630	3,779

During the year 1,492,000 ordinary shares were repurchased for cancellation for £13,054,000 (2010: 2,166,599 ordinary shares were repurchased for cancellation for £17,486,000). 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 (2010: 3,318,207 ordinary shares were held in treasury). Shares held in treasury are non-voting and not eligible for receipt of dividends. Subsequent to the year end a further 547,000 shares have been repurchased for cancellation as per the Chairman's Statement on page 5.

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

	2011	2010
Total shareholders' funds (£000)	231,320	314,546
Net asset value (pence per share)	701 50p	912 60p

The net asset value per share is based on total shareholders' funds above, and on 32,975,110 ordinary shares in issue at the year end (2010 34,467,110 ordinary shares in issue) which excludes 3,318,207 ordinary shares held in treasury (2010 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

	2011 £000	2010 £000
Net revenue return before finance costs and taxation	(67,988)	53,499
Net capital return before finance costs and taxation	72,910	(51,798)
Decrease in accrued income	1,272	105
Decrease in sundry creditors	(36)	(943)
VAT recovered from HMRC capitalised	53	–
Net cash inflow from operating activities	6,211	863

16. Analysis of changes in cash during the year

	2011 £000	2010 £000
Beginning of year	1,846	11,125
Net cash inflow/(outflow)	1,134	(9,279)
End of year	2,980	1,846
Analysis of balance		
Bank balance	2,980	1,846

17. Financial commitments

At 30 September 2011, there were no outstanding capital commitments (2010 nil)

Notes to the accounts (cont'd)

18. Custodian's lien

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

19. Related party disclosures

Under FRS 8, the Company is required to provide additional information concerning its relationship with the Investment Manager, Barings, and details of the investment management fee charged by Barings 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 2010. 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

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 2011 monetary assets included cash balances totalling £2,980,000 (2010: £1,846,000) that were held in US dollars

Notes to the accounts (cont'd)

20. Risk management policies and procedures (cont)

(b) Currency risk (cont)

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

	2011 £000	2010 £000
Income statement – profit after taxation		
Revenue return	428	193
Capital return	7,296	5,180
Total profit after taxation for the year	7,724	5,373
Equity	7,724	5,373

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

	2011 £000	2010 £000
Income statement – profit after taxation		
Revenue return	(428)	(193)
Capital return	(7,296)	(5,180)
Total profit after taxation for the year	(7,724)	(5,373)
Equity	(7,724)	(5,373)

(c) Interest rate risk

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

Cash at bank at 30 September 2011 (and 30 September 2010) was held at floating interesting rates, linked to current short-term market rates

(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.

Notes to the accounts (cont'd)

20. Risk management policies and procedures (cont)

(d) Other price risk (cont)

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 11 and 13

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 2011 £000	Decrease in fair value 2011 £000	Increase in fair value 2010 £000	Decrease in fair value 2010 £000
Income statement – profit after taxation				
Capital return – increase/(decrease)	22,815	(22,815)	27,070	(27,070)
Total profit after taxation other than arising from interest rate or currency risk– increase/(decrease)	22,815	(22,815)	27,070	(27,070)
Equity	22,815	(22,815)	27,070	(27,070)

(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.

(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.

Notes to the accounts (cont'd)

20 Risk management policies and procedures (cont)

(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 2011

	Level 1 £000	Total 2011 £000
Equity investments	228,153	228,153
Total	228,153	228,153

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 2011)
- 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 2011 with a market value)

The valuation techniques used by the Company are explained in the accounting policies note on page 37

21 Contingent asset

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 2011. As reported last year the Company has engaged KPMG to advise on the recovery of excess withholding tax on dividends received from companies in other countries. This potential recovery of withholding tax has not been recognised in the financial statements for the year ended 30 September 2011 as the amounts reclaimable are uncertain and have not yet been quantified.

Notice of Annual General Meeting

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

Notice is hereby given that the Annual General Meeting of the Company will be held at 155 Bishopsgate, London EC2M 3XY on Thursday, 16 February 2012, at 11 00am to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 1, 2, 3, 4, 5, 6 and 7 as ordinary resolutions, and as to resolutions 8 and 9 as special resolutions

- 1 To receive the Directors' Report and statement of accounts for the year ended 30 September 2011
- 2 To approve the Directors' Remuneration Report for the year ended 30 September 2011
- 3 To re-elect Steven Bates as a Director of the Company.
- 4 To re-elect Jonathan Woollett as a Director of the Company.
- 5 To re-appoint KPMG Audit Plc as Auditor of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which the financial statements are laid before members.
- 6 To authorise the Directors to determine the Auditor's remuneration

Special business

To consider the following resolutions

7 Authority to allot new ordinary shares – Ordinary Resolution

That, the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant rights to subscribe for or convert any security into shares in the Company (within the meaning of Section 551 of the Companies Act 2006) up to an aggregate nominal amount of £162,141, (being approximately 5% of the issued share capital of the Company as at 9 January 2012 being the latest practicable date prior to the publication of this notice of meeting excluding shares held in treasury at that date) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make one or more offers or agreements which would or might require relevant securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot relevant securities or grant rights to subscribe for or convert securities into shares in pursuance of such offers or agreements as if the authority conferred hereby had not expired

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

That if resolution 7 set out in the notice convening the Annual General Meeting of the Company dated 10 January 2012 (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

Notice of Annual General Meeting (cont'd)

- (b) in the case of the authority granted under resolution 7 of the Notice and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the Companies Act 2006, to the allotment or such transfer (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £178,732,

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

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

That, the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 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 4,860,974 (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
- (i) 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
 - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,
- (d) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2013, or 15 August 2013, 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

10 January 2012

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 11 00am on Tuesday, 14 February 2012
- 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 6 00pm on Tuesday, 14 February 2012 (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 9 January 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 32,428,110 ordinary shares, carrying one vote each (excluding 3,318,207 shares held in treasury by the Company in relation to which voting rights are suspended). Therefore, the total voting rights in the Company as at 9 January 2012 are 32,428,110
- 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). 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 11 00am on Tuesday, 14 February 2012. 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.

Inspection of documents

The following documents will be available for inspection at the Company's registered office from 10 January 2012 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

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

Registered in England and Wales no 02915887

Registered office as above