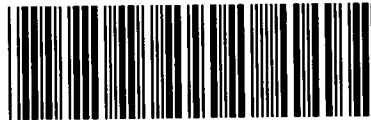


Annual Report & Audited Financial Statements

for the year ended 30 September 2014

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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
Frances Daley (appointed 29 April 2014)

Secretary

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

Registered office

155 Bishopsgate
London EC2M 3XY

Company number

4560726

Alternative Investment Fund Manager

Baring Fund Managers Limited
155 Bishopsgate
London EC2M 3XY

Telephone: 020 7628 6000

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Auditor

KPMG LLP
15 Canada Square
London E14 5GL

Custodian & Depository

State Street Bank & Trust Company Limited
20 Churchill Place
Canary Wharf
London E14 5HJ

Administrator

Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
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Telephone: 0207 982 2000

Registrars and transfer office

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Email: ssd@capitaregistrars.com

Website

www.bee-plc.com

Financial highlights

	2014	2013
Net asset value per ordinary share ("NAV")	695.92p	846.16p
Revenue return per ordinary share	18.55p	19.44p
Dividends per ordinary share	19.00p	19.00p
Share price	614.50p	745.50p
Ongoing charges (based on average NAV)	1.46%	1.30%

Performance (total return basis)

	Year ended 30 September 2014
Net asset value per ordinary share*	-15.9%
Share price #	-15.4%
Benchmark*	-13.3%

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

#Source: AIC.

Discount (at 30 September)

	2014	2013
Discount to net asset value per share*	11.7%	11.9%

*Based on the net asset value including income.

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 Alternative Investment Fund Manager

The Alternative Investment Fund Manager is Baring Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Financial calendar

	Date
Annual general meeting for 2014	15 January 2015
Announcement of interim results	May
Announcement of final results	November
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 investments 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.

Investments 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.

BFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment can be found on the Company's website www.bee-plc.com under the prospectus and literature heading, the document is titled "Pre-investment disclosures", dated 21 July 2014. There have been no material changes to the disclosures contained within the document since publication in July 2014.

Chairman's statement

Dear Shareholder,

The Greek philosopher Heraclitus is mostly remembered for the phrase 'Always expect the unexpected'. In investment, there are so many possible unexpected outcomes that it is impossible to devise strategies that work in all cases, but 2014 proved that sometimes there are no strategies that would have worked except being out of the market altogether. The Russian annexation of Crimea and the subsequent war in Eastern Ukraine came out of the blue and have set the stage for what has been a poor year in BEE's markets.

Quite apart from what was happening in Russia, political problems in Turkey and a faltering Eurozone economy were the icing on a pretty unappetizing cake. Matthias Siller, your investment manager, talks about all of this in more detail in his investment review, which follows, but I thought I should set out the Board's perspective on what is happening in Russia in particular.

While the Crimean annexation was mostly opportunist, the situation in Eastern Ukraine, which the Russians refer to as a 'frozen war,' is more characteristic of policies which have been seen elsewhere. The objective is to sow instability without going to the expense of integrating the destabilized area into Greater Russia. This strategy is popular in Putin's heartland, is bolstered by government control of the media and is a mechanism which is being used, perhaps coincidentally, to increase the role of the State in commercial enterprise, especially in sectors where there is a geopolitical angle, such as oil and gas. Western sanctions, by virtue of having worked, have embedded these factors. Declines in the stock market and in the Rouble have followed, and Russia is now an investment pariah. Matthias explains in his review how this has panned out for a company called Sistema, which was held in the portfolio. This company, one of the better governed in Russia, is locked in a dispute about the ownership rights to its assets with organs of the State.

From an investment perspective, therefore, our biggest task is how to deal with the Russian conundrum. If one can rid oneself of the sour taste of what is happening, valuations in the market are now at levels which assume the worst. For investors who can wait until the valley floor is crossed, this could be the investment opportunity of a generation, but the width of the valley is unknown.

Please forgive the rant on this subject, but I did want to illustrate the complexity of the problem for an investor, even one with specialized expertise in the region such as BEE. Russia has been such a distraction that it is important not to let it overwhelm the excellent medium term outlook in our other markets. Central Europe grows ever more prosperous, despite what is happening in the Eurozone; Turkey has an opportunity to put the political disruption of the last couple of years behind it; and even Greece offers interesting opportunities. This region remains the most lowly valued in the world, with the good being punished alongside the bad. This provides unusually fertile ground for us.

The rest of this statement is more usual, in that it will cover the investment returns, discount management and governance as well as the rather boring regulatory nonsense with which we have had to struggle with during the year.

Investment Returns

For our fiscal year, the Net Asset Value ("NAV") calculated on a total return basis, fell by 15.9%. In contrast, the benchmark fell by 13.3%. While this return is behind the benchmark, and so by definition disappointing, it should be noted that in markets such as those we have seen over the past year, the outcome is somewhat random. There are a number of reasons for this. First, the weight of Russia in the benchmark (54%) and our position relative to that benchmark is by far the most significant factor weighing on relative return. As we did not expect the turn events took, we were overweight the Russian market at the start of its swoon and this created a deficit which would have been impossible to close without throwing caution to the wind. Second, the marked increase in volatility took its toll as we repositioned the portfolio for the new order. Third, analysis of the quality of a company had no bearing on its contribution to return. As Matthias explains, Sistema, which is a very decent company by Russian standards, accounted for around half the whole portfolio's underperformance by itself. Normal investment rules were in effect suspended and fundamental corporate virtues identified by the investment team went unrewarded.

Chairman's statement (cont'd)

On the positive side of the ledger, stock selection in Poland added significant value, and the market rose despite its proximity to the deflationary slowdown unfolding in the Eurozone. We also benefitted from being underweight in Turkey during a year when that market also fell.

As you know, we also look at peer group performance and here too, it was not a great year. We were ranked 37th out of 51 peers, a third quartile position which is not where we expect to be over the long run. Indeed, in the longer term, over 2, 3 and 5 years we remain towards the top of the second quartile and over ten years we are firmly top quartile. Given the calibre and resources of the investment team, the Board remains confident that the longer term performance of your Company will not disappoint and that the outcome for the current year reflects a number of somewhat unusual factors.

Discount Management

Throughout the year, the discount has averaged 11.15%, within a range of 6.73% to 14.98%. We have operated the buyback programme during the year ended 30 September 2014, and we have bought back 1,344,000 shares for cancellation. These repurchases, made at an average discount of 11.2%, have enhanced the NAV by approximately 6 pence per share this year. Subsequent to the year end a further 131,000 shares have been repurchased for cancellation. Although we have bought back fewer shares than last year, the Board is conscious of the risks of shrinking the Company's capital to the point where stock market liquidity is adversely affected. Over the last five years, we have bought back 17,729,666 shares for a total cost of £136.4 million, not so very far from our current NAV.

It is not surprising that investor interest in Emerging Europe has faded. Quite apart from the geopolitical hiccup of 2014, returns over the long run have lagged developed markets and been disappointing. This is reflected in a decline in the number of shares in BEE traded. In the most recent year, 6.4 million shares changed hands, compared with 12 million the previous year, itself down from nearly 15 million the year before. Emerging Europe has become a specialized investment destination and in current circumstances, it seems unlikely that the area will easily attract a wider investment following.

We are disappointed that we have not been able to bring the average discount in below 10% in this difficult period, but will continue to operate the buyback, recognizing that discount control is important for our shareholders.

Governance

Regulation

As foreshadowed last year, we have spent a lot of time, energy and money getting ready for the Alternative Investment Fund Management Directive ("AIFMD"). We finally put this to bed in July, having spent £69,000 and committing to an additional ongoing cost of 2 basis points per annum paid to a 'depository'. I am afraid we had no choice about any of this. It isn't surprising that the tide of regulation in our industry is moving as it is, but it is a shame that the nature of that regulation brings nothing to the benefit of the shareholder. In practice, the operation of AIFMD will create a little extra bureaucracy but the major expense is now behind us. There will no doubt be further regulation in due course, about which we can probably do little.

Dividend and Income Account

The revenue return per ordinary share (on a weighted average basis) was 18.55 pence compared to 19.44 pence last year. As explained in last year's annual report, this year we are applying half of our investment management fee to the capital account. This has had the effect of boosting the income available for dividend payments compared to last year. On a like for like basis, this year's revenue per share should be compared to an amount last time of 22.74 pence.

I set out in my last statement the view that dividends were becoming a more reliable source of return for investors in our region. I spoke too soon. As Matthias explains in his review, it seems likely that Russian companies, which is where the bulk of our income originates,

Chairman's statement (cont'd)

will come under pressure to reinvest in their businesses rather than pay dividends. This is the direct result of sanctions cutting off corporate access to international capital markets. What this means is as yet unclear, but it makes forecasting income for the year ahead an impossible task. We must wait and see. As before, the portfolio is not managed with an income target in mind, with the revenue surplus resulting from the process rather than being the objective of that process.

That said, this year, we are recommending a dividend of 19 pence per share. Whilst this is higher than the reported revenue return per share of 18.55p, which is calculated on a weighted average of the shares in issue during the year, the impact of the share buybacks discussed above means that we can pay 19p per share and still retain a small revenue surplus for the year.

Borrowing

In anticipation of a better year than we have had, we arranged a borrowing facility for \$25 million with State Street. This is as yet undrawn, but remains available to Matthias should the investment environment offer exceptional opportunity.

Directorate

We are continuing our succession planning exercise and this year Jo Dixon will be stepping down as a director and as Chair of the Audit Committee. Jo has been on the Board for 10 years and has brought professionalism, depth and humour to the role. It is normal to say that we will miss her but in this case, that sentiment is genuine rather than boilerplate. It is also normal to say that she will be a hard act to follow, which she will, but we think we have found someone who can in the shape of Frances Daley. Frances has had a career as a Finance Director out in the real world and was appointed on 29th April this year. As the forthcoming AGM is the first following her appointment, she will be standing for election, and I urge you to support her nomination.

The rest of us are all standing for re-election and will do henceforth on an annual basis (unless retiring), as is now thought to be best practice.

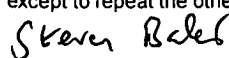
Shareholder Communication

I always say here that we are ready as a Board to talk to any shareholder about anything, and that is certainly true. Most of you, of course, would rather listen to Matthias and his views on markets than hear me drone on about corporate governance, but at the AGM you get the chance to get both. Matthias will be giving his customary presentation on the investment scene in Emerging Europe before we conduct the formal business of the meeting. Details of when and where the AGM will be held can be found on page 54 of this report.

Outlook

What happened in Russia has been, rather unfairly, a setback to the development of a more robust investment case for the Emerging European region as a whole. It has demonstrated how easily a fragile institutional structure can be derailed by politics. Despite the power games being played out in Turkey, and the dependence of Central Europe on the Eurozone, prospects for good long run investment returns in this region have only been enhanced by the value created by the sell-off.

Companies are still getting better. The world is becoming more interconnected and growth opportunities in these markets dwarf anything to be found in the developed world. Setbacks such as we have seen drive stock markets to valuation levels that fully reflect the risks. The major uncertainty remains timing. Investors who have the stamina will undoubtedly benefit as conditions normalize, but it would be wrong to ignore the possibility that things might get worse first. We did not foresee what would happen this year, and there are no predictions here except to repeat the other aphorism for which Heraclitus is remembered – 'There is nothing permanent except change'.



Steven Bates

Chairman

24 November 2014

Report of the Alternative Investment Fund Manager

for the year ended 30 September 2014

How we manage the Company

At Barings, 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 performance over the last 12 months was -15.9%, underperforming the MSCI Emerging Europe 10/40 index which returned -13.3%.

While stock selection in Turkey, Hungary, Greece and Poland contributed positively to performance, stock selection and a slightly overweight position in the Russian market kept performance behind the index.

The Company's ranking within the peer group of Emerging European funds is below median over the 12 month period, but ahead of median over the longer term, as measured over 2, 3, 5 and 10 years.

The year was characterised by increasing political tensions and regional conflicts, falling commodity prices and diverging GDP growth patterns across the region. Although volatility in global developed equity markets reached multi-year lows during the period, many parts of the emerging European markets stayed highly volatile. Emerging European foreign exchange markets also came under considerable pressure, especially in the past two months. In general, though, this weakness does not reflect problems in emerging Europe itself but rather the ripple effect from weakness in the Euro prompted by disappointing European growth numbers.

The Turkish and Russian stock exchanges, the largest in the region, exhibited the most volatile behaviour over the last 12 months as geopolitical conflicts and political risks affected equity markets. These risks were, however, unrelated, highlighting the importance of a geographically diversified portfolio. The volatility of the portfolio has been substantially lower than either the volatility of the Russian or Turkish market.

In Turkey, the alleged involvement of high ranking AK Party and government members in a corruption probe in December 2013 led to a direct confrontation between US-based Islamic scholar and preacher Fethullah Gulen and Prime Minister Erdogan. The conservative supporters of Gulen, many of whom hold high level posts in the police and judiciary, were widely seen as instigators of police raids, which made the arrests connected with the corruption case all the more delicate. While highly emotional, the confrontation quickly found its way onto the political stage where regional elections in March served as a referendum on Prime Minister Erdogan's policies. The AK Party's success in Istanbul and large areas of the country meant that the Turkish electorate had given a clear vote of confidence in Mr Erdogan, who managed to maintain positive momentum into the presidential election campaign in the summer. Mr Erdogan did, indeed, secure the presidency, but with a smaller margin than originally expected. Mr Erdogan plans to give the role of President more power and needs a constitutional change so to do. This will require a 60% vote in favour of change in Parliament and a referendum. His political stance might well become more conciliatory over the coming months in order to secure broad-based backing for his plans. The Turkish economy saw consumer confidence recovering in the aftermath of the municipal elections. However, relatively weak demand in Europe, the Syrian and Iraqi wars and a high (but peaking) inflation environment kept further acceleration of economic activity at bay.

In Russia, economic development was held ransom by politics as the country's annexation of the Crimea and its interventionist attitude in the separatist movements in Ukraine's eastern districts of Luhansk and Donetsk sparked widespread international condemnation and economic sanctions.

The sanctions, implemented by the EU and US, aim both at individuals in the political establishment and on state controlled companies. They restrict the ability of individual businesses to

Report of the Alternative Investment Fund Manager (cont'd)

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

[GRAPHIC REMOVED]

co-operate with Western companies as well as severely limiting access to international financial markets. Further, they have created an environment of insecurity, leading to an acceleration of capital outflows, exacerbating what were already relatively low levels of liquidity in the country and simultaneously weakening the Russian Rouble. In that sense, Western policy towards Russia can be described as successful as its goal of undermining trust in the economy and creating tension has been achieved.

One indicator pointing in this direction could be the sudden attack led by state prosecutors on one of the largest conglomerates in the country, Sistema. Alleged irregularities over the privatization of Bashneft, an oil and gas company contributing approximately 40% to the conglomerate's net asset value, are being cited by state prosecutors as reasons why an official investigation has been launched over the behaviour of the company and its management board. A cynic might say that Sistema, which follows good international practice with regard to disclosure, has pursued a successful investment strategy and has no debt, made an irresistible target for a bureaucracy that seeks to increase the share of the state in the most strategic of all sectors: oil and gas.

While the summer months saw the hottest phase in the armed confrontation between the regular Ukrainian army and Russian backed separatist movements in the Eastern part of Ukraine,

the international pressure started to have an effect on the Russian side and created an environment where both sides preferred de-escalation.

The subsequent round of talks between Ukraine's Prime Minister Petro Poroshenko, Russia's President Vladimir Putin and EU negotiators in Minsk saw a peace deal brokered, and armed confrontation has since drastically declined in Ukraine. This, together with surprisingly rapid agreement on the commercial terms for Russian gas deliveries to the Ukraine, suggest a significant reduction in tension. Over the course of the year, economic growth in Russia has slowed substantially and fixed capital formation registered a 2.5% contraction. While we believe recent developments show the willingness of the Russian leadership to engage in a dialogue over its Ukrainian relationship, a gradual Rouble devaluation to encourage import substitution and improve the competitiveness of the commodity sector may well suit policy makers. A pronounced reduction of inventories during recent months will also need to be replaced at some point, shoring up growth in 2015 if the geopolitical environment allows for it.

While the small, open economies of Central Europe saw a confirmation of the improving economic environment of early 2014, a weaker European economy started to take its toll on leading indicators over the summer. Rapidly falling inflation rates and in

Report of the Alternative Investment Fund Manager (cont'd)

some cases even deflationary trends have brought government bond yields to record lows in Poland, Hungary and Romania. Additionally this environment gave local Central Banks ample room to cut rates and support domestic demand while renewed EU-financed infrastructure spending should serve as an additional boost to economies.

As pointed out earlier, in the presence of strong disinflationary pressures (energy, food, etc.) we believe that stimulative monetary policy is here to stay in Central European countries. Not surprisingly, the market has been rewarding companies with sustainable and growing dividend yields – the Polish utility Energa and insurer PZU, both falling into this category, were amongst the strongest contributors to performance over the course of the last 12 months. Sistema, on the other hand, was the leading loss-making position relative to benchmark in the portfolio even though we took the decision to sell the largest part of our holding the day the bad news broke. The Greek stock market was added to the Emerging European universe in November 2013 and saw a number of bank recapitalisations in 2014. This, combined with consolidation amongst the banks, has equipped the sector to withstand adverse credit quality development. Furthermore, the Greek banking sector has re-priced its deposit base, lowering its financing costs and improving core profitability.

The portfolio's income from dividends remained at a record high level, generating more than 3% of NAV in income.

Company weighting versus Benchmark Index by country of operation at 30 September 2014

Country of operation	Company	Benchmark
Czech Republic	0.0%	2.8%
Greece	5.1%	7.4%
Hungary	4.3%	2.3%
Poland	12.4%	19.7%
Russia	53.9%	50.1%
Turkey	15.0%	17.7%
Other	8.5%	–
Cash	0.8%	–
	100.0%	100.0%

Source: Barings, MSCI.

Strategy

The Company seeks to invest into Emerging European companies with above average growth potential, strong balance sheets and high standards of corporate governance.

While recent developments surrounding Ukraine give some hope for further de-escalation, the negative impact on Russian business has certainly been felt. The 3 main vectors along which these policies affect our strategy are as follows:

First, the Russian state will play a more active role in business and, while seeking to mitigate the effects of international sanctions, will adopt a policy that will favour higher re-investment rates over dividend payouts in strategic sectors.

Second, on the currency front, the Russian Central Bank may well favour a gradual depreciation of the Russian Rouble as this is the key to unlocking a powerful self-help mechanism which leads to import substitution, so supporting the Kremlin's main constituency in rural areas and mining communities. In these circumstances, inflation will remain elevated.

Third, while we can see a scenario in 2015 where the relationship with the European Union and the US improves on the back of the mutual interest in de-escalation, the immediate impact on the Russian economy might not necessarily change the economic outlook. While access to international bond and money markets would help to supply liquidity and support growth, we sense that it will take substantial trust building exercises by the Russian government to revive confidence in companies, small and large, and allow for a pick-up in investment led growth.

With Russian oil stocks outperforming in a weak Rouble environment, we decided to reduce the portfolio's exposure to the energy sector by selling out of Rosneft, Tatneft and Surgutneftegas. Anticipating pressure on European refinery margins, the Turkish refiner Tupras was also sold, which reduced the weighting of the Energy sector to 22 %.

We increased our holding in Mail.ru, the largest Russian gaming platform and owner of the leading social network site VKontakte full control of which was recently secured on attractive terms. Additionally, we invested in Luxoft, a software developer for the industrial and financial sector.

Report of the Alternative Investment Fund Manager (cont'd)

Performance versus Benchmark Index for the year ended 30 September 2014
Benchmark

[GRAPHIC REMOVED]

In Turkey, we concentrated our positions by selling out of retailer BIM and bottler Coca Cola Icecek while adding tyre producer Brisa.

In Poland, we increased exposure to the Polish financial sector and added to our position in PZU, the country's largest insurer. A falling interest rate environment enhances the attractiveness of the insurer's high dividend-payout ratio.

Holdings in the basic materials sector were decreased by selling out of the Polish copper miner KGHM and reducing the position in the largest Russian mining company Norilsk Nickel.

By participating in the initial public offerings of the Polish electricity utility Energa and the Romanian utility Electrica, we reduced our underweight in this sector.

Outlook

Looking forward, we see a broad based, diversified set of opportunities for the Company. Investor expectations are depressed because of the crisis in the Ukraine, and while energy prices have been falling substantially over the last quarter, Russian self-help in the form of import substitution might substantially soften the blow. Valuations are very low.

Turkey, although having experienced substantial volatility over the course of the last 12 months, should be one of the largest beneficiaries of lower global energy prices. Additionally the extremely busy election calendar over the last couple of years now comes to an end. After having voted in the 2015 parliamentary elections, Turks will be able to enjoy a record period of almost 5 years without major elections, paving the way for the acceleration of the structural reform agenda promoted by the ministry of finance and the ministry of economics.

Central European markets are likely to suffer from subdued economic activity in their main trading partner (Germany), but will be able to tap into EU cohesion funds which should balance somewhat the impact of poor German demand.

Fund, Benchmark Index and country returns (£) – 30 September 2013 to 30 September 2014

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Report of the Alternative Investment Fund Manager (cont'd)

Equity portfolio

The Company's equity portfolio at 30 September 2014, is set out in the following table:

	Holding	Primary country of investment	Market value £000	% of equity portfolio
1	Lukoil Holdings	Russia	14,326	10.96
2	Sberbank	Russia	9,845	7.53
3	PZU	Poland	7,943	6.08
4	Novatek	Russia	7,629	5.84
5	Halk Bank	Turkey	6,652	5.09
6	Gazprom	Russia	6,488	4.96
7	OTP Bank	Hungary	5,490	4.20
8	Magnit	Russia	4,517	3.46
9	Mobile Telesystems	Russia	4,448	3.40
10	PKO BP	Poland	4,284	3.28
11	Mail.ru	Russia	4,203	3.22
12	Haci Omer Sabanci	Turkey	3,978	3.04
13	Energa	Poland	3,468	2.65
14	Turk Traktor	Turkey	3,193	2.44
15	Vakif Bank	Turkey	3,085	2.36
16	National Bank of Greece	Greece	3,012	2.30
17	Phosagro	Russia	2,526	1.93
18	Dragon Oil	Russia	2,282	1.75
19	LSR	Russia	2,242	1.72
20	Dixy	Russia	2,154	1.65
21	Yandex	Russia	2,136	1.63
22	Kcell	Kazakhstan	2,127	1.63
23	Piraeus Bank	Greece	1,784	1.36
24	Norilsk Nickel	Russia	1,781	1.36
25	Electrica	Romania	1,709	1.31
26	Moscow Exchange	Russia	1,679	1.28
27	Tekfen	Turkey	1,678	1.28
28	Ferrexpo	Ukraine	1,655	1.27
29	Halyk Bank	Kazakhstan	1,484	1.14
30	Globaltrans	Russia	1,221	0.93
31	IBS Group	Russia	1,153	0.88
32	Opap	Greece	1,031	0.79
33	Alpha Bank	Greece	915	0.70
34	MHP	Ukraine	849	0.65
35	Global Ports	Russia	808	0.62
36	Kernel	Ukraine	779	0.60
37	Brisa Bridgestone Sabanci	Turkey	746	0.57
38	MD Medical	Russia	713	0.55
39	Ros Agro	Russia	693	0.53
40	Globalworth Real Estate	Romania	677	0.52
41	Uralkali	Russia	654	0.50

Report of the Alternative Investment Fund Manager (cont'd)

	Holding	Primary country of investment	Market value £000	% of equity portfolio
42	Ford Otomotiv Sanayi	Turkey	536	0.41
43	TCS	Russia	508	0.39
44	Luxoft	Russia	442	0.34
45	Sistema	Russia	435	0.33
46	Sollers	Russia	425	0.32
47	Pharmstandard	Russia	317	0.24
	Total Investments		130,700	100.00

Review of Top Ten Holdings at 30 September 2014

Holding	Sector	End Weighting Relative to Benchmark	Company Comment
Lukoil Holdings	Energy	Overweight	High yielding Russian oil stock with potential for further dividend growth.
Sberbank	Finance	Overweight	Russia's largest bank – successful implementation of modernisation strategy offers scope for further improvement of profitability.
PZU	Financials	Overweight	Largest Polish insurer. Its capital base allows for high dividend payout ratios. Potential consolidator in the Emerging European insurance space.
Novatek	Energy	Overweight	Largest independent gas producer. Arctic gas exploration provides significant growth potential.
Halk Bank	Financials	Overweight	One of the largest Turkish banks. Low funding costs provide a sustainable competitive advantage.
Gazprom	Energy	Underweight	Russian gas export monopoly. Huge scope for improving corporate governance and investment spending.
OTP Bank	Financials	Overweight	Largest Hungarian bank. Beneficiary of improving macroeconomic environment and potential industry consolidation.
Magnit	Consumer Staples	Underweight	Russia's leading supermarket, benefitting from solid margins and strongly growing sales.
Mobile Telesystems	Telecommunication Services	Overweight	Russian mobile phone operator. Strong cash flow generation, potentially high dividend payout ratio and growth optionality in data and broadband.
PKO BP	Financials	Overweight	Largest Polish bank, recent acquisition of Nordea Poland provides potential to lift synergies and grow the credit portfolio

Report of the Alternative Investment Fund Manager (cont'd)

Classification of assets

The Company's Portfolio as per MSCI at 30 September 2014 was:

Percentage classification of assets based on valuation

	Russia	Hungary	Poland	Czech Republic	Turkey	Other Countries	Net Current Assets	Total 2014	Total 2013
Consumer Discretionary	0.3	-	-	-	1.0	0.8	-	2.1	1.7
Consumer Staples	5.6	-	0.6	-	-	0.6	-	6.8	8.1
Energy	21.4	-	-	-	-	1.7	-	23.1	31.0
Financials	10.8	4.3	9.2	-	10.4	6.0	-	40.7	30.6
Healthcare	1.1	-	-	-	-	-	-	1.1	1.7
Industrials	1.5	-	-	-	3.6	-	-	5.1	2.8
Materials	3.8	-	-	-	-	1.2	-	5.0	7.5
Telecommunication Services	3.7	-	-	-	-	1.6	-	5.3	9.5
Information Technology	5.7	-	-	-	-	0.3	-	6.0	4.8
Utilities	-	-	2.6	-	-	1.4	-	4.0	0.1
Total equity investment	53.9	4.3	12.4	-	15.0	13.6	-	99.2	97.8
Net current assets	-	-	-	-	-	-	0.8	0.8	2.2
Total 2014	53.9	4.3	12.4	-	15.0	13.6	0.8	100.0	-
Total 2013	70.9	2.3	6.7	0.3	14.8	2.8	2.2	-	100.0

Sector distribution of portfolio (%) at 30 September 2014

[GRAPHIC REMOVED AND REPLACED WITH TABLE]

	Portfolio weight	Benchmark Index weight
Consumer Discretionary	2.1%	3.6%
Consumer Staples	6.8%	7.3%
Energy	23.1%	30.9%
Financials	40.7%	34.0%
Healthcare	1.1%	0.6%
Industrials	5.1%	2.2%
Materials	5.0%	8.7%
Telecommunication Services	5.3%	7.5%
Information Technology	6.0%	0.0%
Utilities	4.0%	5.2%
Net current assets	0.8%	0.0%

Strategic report

for the year ended 30 September 2014

The Directors submit to the shareholders their Strategic report, Director's report and the audited financial statements of the Company for the year ended 30 September 2014.

Business and tax status

In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to maintain its status as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company has obtained written approval as an investment trust from HM Revenue & Customs for all accounting periods up to the year ended 30 September 2013 and has made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods starting on or after 1 October 2013 subject to the Company continuing to meet the eligibility conditions contained in Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements outlined in Chapter 3 of Part 2 of the Regulations.

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.

Alternative Investment Fund Management Directive ("AIFMD")

In order to comply with AIFMD, the Company has appointed Baring Fund Managers Limited ("BFM") to act as its Alternative Investment Fund Manager ("AIFM") pursuant to an Alternative Investment Fund Management Agreement entered into by the Company and the AIFM on 21 July 2014 (the "AIFM Agreement"). BFM has been approved as an AIFM by the UK's Financial Conduct Authority. The investment management agreement entered into by the Company and Baring Asset Management Limited ("BAM") on 12 November 2002 (the "IMA") has been terminated although BFM has delegated the portfolio management of the Company's portfolio of assets to BAM. The AIFM Agreement is based on the IMA and differs to the extent necessary to ensure that the relationship between the Company and BFM is compliant with the requirements of AIFMD. The fees payable to BFM and the notice period under the AIFM Agreement are unchanged from the IMA. The Company and BFM have also entered into a Depositary Agreement with State Street Trust Trustees Limited ("State Street") pursuant to which State Street has been appointed as the Company's Depositary for the purposes of AIFMD.

The Company is managed by external parties in respect of investment management, custodial services and the day-to-day accounting and company secretarial requirements. As noted above the Alternative Investment Fund Manager is BFM and details of the agreement with BFM are given in note 3 to the accounts. The Depositary and 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

Strategic report (cont'd)

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. At the year end there was one unquoted investment valued at nil in the portfolio.

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, Albania and Greece. There is no restriction on the proportion that may be invested in these countries. During 2014 the Greek equity market was reclassified as an emerging market and was included in the MSCI EM Europe 10/40 Index on 27 November 2014, the Company's benchmark. A resolution to amend the investment policy to include Greece was passed at the Annual General Meeting held on 14 January 2014.

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.

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 2014, the only loan facility in place was a US\$25 million loan facility with State Street Bank and Trust Company Limited which can be used as a source of gearing. In order to provide a mechanism to gear the portfolio the Board has authorised the Alternative Investment Fund Manager to invest in long only derivatives in Polish, Russian and Turkish index futures where feasible. The Alternative Investment Fund 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. Once again gearing was not employed during the year.

Return per ordinary share

	30 September 2014			30 September 2013		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share	18.55p	(153.31)p	(134.76)p	19.44p	54.76p	74.20p

Strategic report (cont'd)

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £3,621,000 (2013: £4,239,000). Capital return per ordinary share is based on net capital losses for the financial year of £29,918,000 (2013: net capital profits of £11,946,000). These calculations are based on the weighted average of 19,515,035 (2013: 21,815,561) ordinary shares in issue during the year.

At 30 September 2014 there were 18,904,043 ordinary shares of 10 pence each in issue (2013: 20,248,043) which excludes 3,318,207 ordinary shares held in treasury (2013: 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.

Dividends

The Board does not seek to target any particular level of dividend, and intends rather to distribute by way of dividend most of the net earnings available for this purpose. The Board recommends an annual dividend of 19p per share compared with 19p for the previous period. Subject to approval of the Annual General Meeting, the recommended annual dividend will be paid on 2 February 2015 to members on the register at the close of business on 5 January 2015. The shares will be marked ex-dividend on 2 January 2015.

Discount

The Directors have adopted a policy with regard to the market rating of the Company's shares and seek to limit the discount to NAV at which the Company's shares trade to a level significantly lower than 10%, using as necessary the Company's share repurchase authority. During the year ended 30 September 2014, 1,344,000 shares were repurchased at a cost of £9,772,000 (4,123,000 shares were repurchased during the year ended 30 September 2013 at a cost of £30,448,000). 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.

As reported last year the Company has changed the period during which the shares must trade below a 12% average discount which would trigger a tender from the 90 days prior to the results announcement to the full trading year. This means that if the shares average greater than a 12% discount for the 365 day period prior to the publication of the Company's results for the financial year, a tender will be triggered as set out above. The relevant NAV number for these purposes is the NAV cum income.

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 2014 the Company was ranked 37th out of 51 funds in this universe. Over three years to 30 September 2014 it was ranked 14th out of 49 funds and over five years it was ranked 20th out of 47 funds.
- **Performance against the Benchmark Index**

A chart of NAV performance versus Benchmark Index for the six years ended 30 September 2014 (total return) is set out in the Directors' Remuneration report on page 34.
- **Discount to NAV**

In the year ended 30 September 2014 the shares traded at an average discount of 11.15% on the NAV cum income.

Strategic report (cont'd)

- **Ongoing charges**

The annualised ongoing charges figure for the year was 1.46% (2013: 1.30%). This figure, which has been prepared in accordance with the recommended methodology of the Association of Investment Companies represents the annual percentage reduction in shareholder returns as a result of recurring operational expenses excluding performance fee. No performance fee is payable in respect of the year ended 30 September 2014 (2013: no performance fee was paid). The Board reviews each year an analysis of the Company's ongoing charges figure 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 Index 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 Fund Managers 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 Alternative Investment Fund Manager**

A sudden departure of the Alternative Investment Fund Manager or several members of the investment management team could result in a short-term deterioration in investment performance. The Alternative Investment Fund 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.

- **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 25 to 30.

- **Operational**

Like most other investment trust companies, the Company has no employees. The Board currently consists of six non-executive Directors, two of whom are female and the other four are male and is chaired by Steven Bates. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Alternative Investment Fund Manager and the Company's service providers. The security, for example, of the Company's assets, dealing procedures, accounting

Strategic report (cont'd)

records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These are regularly tested and monitored. The Depositary and Custodian and the Alternative Investment Fund 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 19 on pages 50 to 53.

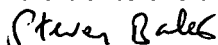
- **Future developments**

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 Alternative Investment Fund Manager discusses the outlook in his report on page 11.

- **Social, community and human rights**

The Company does not have any specific policies on social, community or human rights issues as it is an investment company which does not have any physical assets, property, employees or operations of its own.

For and on behalf of the Board



Steven Bates

Chairman

24 November 2014

Report of the Directors

Directors

The present Directors are listed below and on page 2. They are all non-executive and have served throughout the year apart from Frances Daley who was appointed to the Board on 29 April 2014, the Board consists of two females and four males.

Steven Bates (57) 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 Guardian Capital 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 (55) is a director of Worldwide Healthcare Trust PLC, Standard Life Equity Income Trust PLC and JPMorgan European Investment Trust PLC, and has recently joined the board of Strategic Equity Capital 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 was appointed a Director of Baring Emerging Europe PLC on 5 July 2004.

Saul Estrin (62) is a Professor and the founding Head of the Department of Management at the London School of Economics where he is a specialist on emerging markets. He was formerly a Professor at the London Business School and Research Director of the Centre for New and Emerging Markets, which analysed the prospects for private sector development and business opportunities in emerging markets. He has written numerous books and articles on emerging economies. He was appointed a Director of Baring Emerging Europe PLC on 5 July 2004.

Jonathan Woollett (57) is a founding partner of Acoro Capital Partners LLP, an investment partnership focusing on unlisted financial sector investments in Central and Eastern Europe. He has nearly 20 years experience in the region with 10 years to 2008 at the European Bank for Reconstruction and Development ("EBRD") in London. Prior to EBRD he was the director responsible for the establishment of asset management and mutual fund businesses in Central and Eastern Europe at Credit Suisse Asset Management. Prior to Credit Suisse, he worked for UBS, having started his banking career with Deutsche Bank in 1979. He was appointed a Director of Baring Emerging Europe PLC on 23 July 2008.

Ivo Coulson (51) has over 25 years of experience in the City, first with BZW as a director in their investment management division and then as a director with SG Warburg in their equity trading operation, latterly heading up their closed end fund team. He is currently head of portfolio management at Stanhope Capital LLP, a prominent multi family office based in the West End of London and a non executive director of JPMorgan Smaller Companies Investment Trust PLC. He was appointed a Director of Baring Emerging Europe PLC on 29 September 2010.

Frances Daley (56) trained as a Chartered Accountant with a predecessor firm to Ernst & Young and spent 9 years in Corporate Finance followed by 18 years in various CFO roles. From 2007 to 2012 she was group finance director of the private equity backed Lifeways Group, the UK's largest provider of specialist support to adults with learning disabilities and mental health needs. She is also Chair of Haven House Children's Hospice and Deputy Chair of James Allen's Girls' School. She was appointed a Director of Baring Emerging Europe PLC on 29 April 2014.

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 2014.

Report of the Directors (cont'd)

Substantial shareholdings

At 21 November 2014, 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	3,191,793 shares	17.00%
Lazard Asset Management LLC	1,884,529 shares	10.04%
Sarasin & Partners LLP	1,294,795 shares	6.90%

Corporate governance

The statement of Corporate Governance, as shown on pages 25 to 30, is incorporated by cross reference into this report.

Going concern

The Directors believe that, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio 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.

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 2014 the Company was ranked 37th out of 51 funds in this universe. Over three years to 30 September 2014 it was ranked 14th out of 49 funds and over five years it was ranked 20th out of 47 funds.

Withholding tax

The Company has sought to recover excess withholding tax from companies held in Poland and has engaged KPMG LLP for this exercise. During the year ended 30 September 2010, an amount of £208,000 was recovered. A further claim for £242,000 was successful but that decision was subject to an appeal by the Polish tax authorities which was heard on 7 November 2014; whilst the appeal was rejected the full written justification of the judgement has not yet been received and this amount therefore has not been recognised in the financial statements for the year ended 30 September 2014. As reported in 2011 the Company has engaged KPMG LLP to advise on the recovery of excess withholding tax on dividends received from companies in Russia. To date an amount of £23,000 was recovered in the year to 30 September 2013 and a further £20,000 was recovered in the year to 30 September 2014. There is potential to recover further amounts of withholding tax but this has not been recognised in the financial statements for the year ended 30 September 2014 as the amounts reclaimable are uncertain and have not yet been quantified.

Socially responsible investment

The Board has delegated the investment management function to Baring Fund Managers Limited. The Alternative Investment Fund 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.

Global greenhouse gas emissions for the year ended 30 September 2014

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Report of the Directors (cont'd)

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, 15 January 2015 at 2.30pm. The formal notice of the AGM is set out on pages 54 to 57. 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 11 and 12)

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 £93,865 (representing 938,650 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 21 November 2014, being the latest practicable date prior to publication of the notice of meeting on pages 54 to 57 (the "Notice"). As at the date of the Notice, 3,318,207 ordinary shares are held by the Company in treasury.

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 12 would, if passed, give the Board the authority to allot shares (or sell any shares held in treasury) for cash on a non-preemptive basis up to an aggregate amount of £110,456. This amount represents 1,104,560 shares and is approximately 5% of the total share capital of the Company in issue (including treasury shares) as at 21 November 2014, being the latest practicable date prior to publication of the Notice. This will enable the Company to issue new shares (or to sell treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. **This power will not be utilised when it would result in any dilution of the net asset value per ordinary share.**

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

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

If Resolutions 11 and 12 are approved, the authorities will expire at the conclusion of the AGM in 2016.

Authority to purchase own shares (Resolution 13)

At the AGM held on 14 January 2014, 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 1,344,000 shares were purchased and cancelled during the year under review. This represented 3.14% of the issued share capital at 30 September 2014. The prices paid for these shares ranged from 612.04p to 696.00p and the total cost amounted to £3,881,000. 131,000 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.

Report of the Directors (cont'd)

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 2,814,079 ordinary shares as at 21 November 2014, being the latest practicable date prior to publication of the Notice. Under the Listing Rules of the Financial Conduct 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 2016 or 14 July 2016, unless such authority has been renewed prior to such time.

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.

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.

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 48, voting rights are summarised on page 56, 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 21;
- the Company does not have an employees' share scheme;

Report of the Directors (cont'd)

- 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 to 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 Alternative Investment Fund Manager takes into account these considerations when making investment decisions and determines its voting instructions at investee company meetings accordingly.

Auditor

The Company's Auditor, KPMG LLP, has indicated its willingness to continue in office. Resolutions for the re-appointment of KPMG LLP and to authorise the Board to determine its remuneration will be proposed at the Annual General Meeting.

By order of the Board

M. J. Nokes
Secretary
24 November 2014



Statement of 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 2012 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council have been applied to the affairs of the Company. In applying the principles of the Code, the Directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code"), which has established a framework of best practice specifically for the boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more appropriate for investment trust companies.

Applications of the Code's principles

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

The Board

The Board currently consists of six non-executive Directors, two of whom are female and the other four are male and is chaired by Steven Bates. The Chairman, Miss Dixon and Professor Estrin have all served on the Board for over nine years and under the Code may not be considered to be independent of the Company and the Alternative Investment Fund Manager. The Board however, takes the view that independence is not necessarily compromised by length of tenure on the Board and experience can add significantly to the Board's strength. It has therefore been determined that in performing their roles as Directors, the Chairman, Miss Dixon and Professor Estrin remain wholly independent and all the Directors are considered by the Board to be independent of the Company and the Alternative Investment Fund Manager. Their biographies are set out on page 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	5	2	1
Steven Bates	5	2	1
Josephine Dixon	4	2	0
Saul Estrin	5	2	1
Jonathan Woollett	5	2	1
Ivo Coulson	5	1	1
Frances Daley (appointed 29 April 2014)	3	1	1

All of the Directors attended the Annual General Meeting held in January 2014, apart from Frances Daley who was appointed on 29 April 2014.

In addition, as part of its responsibility to monitor investments, the Board visited, along with the portfolio manager, a number of companies and authorities in Russia during September 2014.

Statement of Corporate Governance (cont'd)

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 Alternative Investment Fund 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 Alternative Investment Fund Manager attend most of the Board meetings, enabling Directors to probe further or seek clarification on matters of concern.

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.

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 Chairman meeting with individual Directors to obtain their views on the performance of the Board and its Committees. In addition, the other Directors meet collectively once a year to evaluate the performance of the Chairman. The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

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 of the Board as a whole.

Audit Committee

The Directors have appointed an Audit Committee consisting of the whole Board, and is chaired by Josephine Dixon. The Board's view is that the members of the Committee, taken as a whole, have the necessary recent and relevant financial experience. The Audit Committee reviews audit matters within clearly-defined written terms of reference (copies of which are available upon request from the Company Secretary).

In particular, the Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the Strategic Report and the Statement of Corporate Governance (insofar as it relates to the audit and risk management).

The main significant issue that the Committee has considered is around the completeness, valuation and existence of quoted investments at the year ended 30 September 2014. The Committee is satisfied that the investments at the year ended 30 September 2014 exist and are correctly valued at fair value (which is the bid market price for listed investments and Directors' valuation for unquoted investments which is currently valued at nil).

Statement of Corporate Governance (cont'd)

The Committee 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 its 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 LLP has fulfilled its obligations to shareholders. The Audit Committee will meet if required with the Auditor to review the proposed audit programme of work and the findings of the Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process. KPMG LLP has been the Company's Auditor for the last ten years and there has been no re-tendering of the Audit in that time. To comply with the provision in the Code the Company will review the option to re-tender the external audit on a regular basis.

The Audit Committee regularly reviews the terms of the different service providers to the Company including contracts with the Alternative Investment Fund Manager, the Company Secretary and the Depositary and Custodian. The Audit Committee meets representatives of the Alternative Investment Fund Manager and its Compliance Officer who provides reports on the proper conduct of business in accordance with the regulatory environment in which both the Company and the Alternative Investment Fund 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 Alternative Investment Fund Manager and the administrator that they do have "whistle blowing" policies in place for their staff.

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

Nomination Committee

The Nomination Committee consists of the whole Board and is chaired by the Chairman. The Committee meets at least annually and terms of reference are in place which include reviewing the Board's size, structure and diversity, succession planning and training. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. External search consultants may be used to ensure that a wide range of candidates can be considered.

A Director who has been appointed during the year is required under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require a Director who has held office at the time of the two preceding Annual General Meetings and who did not retire at either to seek re-election. In addition, a Director 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 seek re-election by the members. Notwithstanding the provisions of the Articles of Association, the Board has adopted a policy that Directors will offer themselves for annual re-election except where they intend to retire at an Annual General Meeting.

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

The Committee recommended to the Board, with the relevant Directors absenting themselves from these discussions, the nominations for re-election of the Chairman, Mr Coulson, Prof Estrin, and Mr Woollett for the following reasons, and Frances Daley who offers herself for election following her appointment to the Board on 29 April 2014:

- The Chairman, who was appointed a Director in 2003, has significant experience in both emerging and developed markets and has continued to lead the Board well.

Statement of Corporate Governance (cont'd)

- Mr Coulson, who was appointed a Director in 2010, has significant experience in the investment management industry and has been significantly involved with the Boards' shareholder relations.
- Professor Estrin, who was appointed a Director in 2004, has a significant knowledge about the Emerging European region and its economies.
- Mr Woollett, who was appointed a Director in 2008, has over 20 years experience in the Emerging European region with experience in both private equity and financial services.
- Ms Frances Daley, who was appointed a Director on 29 April 2014, has significant financial experience.

Josephine Dixon has decided to retire from the Board and will not seek re-election at the AGM.

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. The Directors' remuneration policy and Directors' fees are detailed in the Directors' Remuneration report on page 33.

Risk management and internal control

The 2012 UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard shareholders' investment and the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

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 depositary and 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. Alternative investment fund management services are provided by BFM and details of the agreement with BFM are given in note 3 to the accounts. The Depositary and 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 Alternative Investment Fund Manager on all investment matters including compliance with the investment mandate, the performance of the portfolio compared with the Benchmark Index and compliance with investment trust status requirements.

Statement of Corporate Governance (cont'd)

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

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

Accountability and audit

Set out on page 32 is a Statement by the Directors of their responsibilities in respect of 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 Alternative Investment Fund 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 Alternative Investment Fund Manager attends to give a presentation to the meeting. A quarterly newsletter is produced by the Alternative Investment Fund 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.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to its Alternative Investment Fund Manager, Baring Fund Managers Limited ("BFM"). BFM have in turn delegated this responsibility to Baring Asset Management Limited ("BAM"). 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 June 2014.

Statement of Corporate Governance (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."

Evaluation of performance of Alternative Investment Fund Manager

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

- performance compared with Benchmark Index 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 Fund Managers Limited has served the Company well both in terms of investment portfolio management and general support and confirms the continuation of its appointment.

Statement of compliance

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

- due to the small size of the Board and nature of the business a separate remuneration committee has not been established;
- a senior non-executive Director has not been identified;
- the Chairman is a member of the Audit Committee; and
- there is no internal audit function.

By order of the Board

M. J. Nokes
Secretary

24 November 2014



Audit Committee report

The composition and summary terms of reference of the Audit Committee are set out on pages 26 and 27.

The Audit Committee met in April 2014 and considered the form and content of the Company's half year report to 31 March 2014 which was published on 15 May 2014. The Committee also reviewed the key risks of the Company and the Internal control framework operating to control risk. The Committee also reviewed the terms of engagement of the audit firm and its proposed programme for the year end audit. The Committee met again in November 2014 and reviewed the outcome of the audit work and the final draft of the financial statements for the year ended 30 September 2014. During this review the Audit Committee met with representatives of both the Alternative Investment Fund Manager and the Administrator and sought assurances where necessary.

Significant accounting matters

The Audit Committee in its work consider that the key accounting issue in relation to the financial statements is the completeness, valuation and existence of quoted investments.

Completeness, valuation and existence of quoted investments

As part of the day to day controls of the Company there are regular reconciliations between the accounting records and the records kept by the custodian of the assets they safeguard which are owned by the Company. During the year and at the year end there were no matters brought to light which call in to question that the key controls in this area were not working, or that the existence of assets recorded in the books of account are not held in safe custody.

As more fully explained in note 1 (b) on page 42 at the year ended 30 September 2014 the Committee agreed that the fair value of investments is the bid market price for quoted investments and the unquoted investment, of which there is a small holding which is currently valued at nil for the year ended 30 September 2014, is appropriate.

The external Auditor attended the year end Audit Committee meeting on 14 November 2014 and presented a report on the audit findings which did not include any significant issues in relation to the financial statements. During that meeting the Audit Committee satisfied itself that the Auditor was independent and also concluded to keep under review putting the audit out to tender. KPMG LLP have been the Auditor since the launch of the Company in 2002 and during that time the audit has not been put out to tender.

Contracts for non-audit services must be notified to the Audit committee who consider any such engagement in the light of the requirement to maintain audit independence. The Committee believe that all such appointments for non-audit work were appropriate and unlikely to influence the audit independence.

During the year the value of non-audit services provided by KPMG LLP amounted to £12,000 (30 September 2013: £26,000). Whilst non-audit services as a proportion of audit services amount to approximately 43%, the overall quantum of non-audit services is not considered to be material and a significant proportion of the non-audit services provided relate to the following matters:

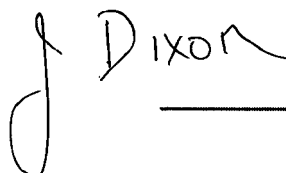
- the provision of tax compliance work £7,000 (30 September 2013: £7,000); and
- the provision of withholding tax work in Russia £5,000 (30 September 2013: £19,000).

In finalising the financial statements for recommendation to the Board for approval the Committee has considered whether the going concern principle is appropriate, and concluded that it is. The Audit Committee has also satisfied itself that the Annual Report and financial statements taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Josephine Dixon

Chairman of the Audit Committee

24 November 2014



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 Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that comply with that law and those regulations.

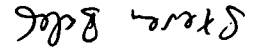
The financial statements are published on the www.bee-pic.com website, which is maintained by Baring Asset Management Limited. The maintenance and integrity of the website maintained by Baring Asset Management Limited is, so far as it relates to the Company, the responsibility of Baring Asset Management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

Responsibility statement of the Directors in respect of the annual report

We confirm to the best of our 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;
- b) the Annual Report and financial statements, 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; and
- c) the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board



Steven Bates

Chairman

24 November 2014

Directors' Remuneration report

for the year ended 30 September 2014

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 Directors' and their families' interests in the Company's shares are stated below (non-audited):

Beneficial	21 November 2014	30 September 2014	30 September 2013
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	2,000	2,000	3,000
Frances Daley (appointed 29 April 2014)	3,000	3,000	–

Directors' remuneration policy

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors. Subject to this overall limit, currently £175,000, 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. A Director may be removed without notice and compensation will not be due on leaving office.

The Company does not provide pension benefits, rights to any bonuses, 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:

	2014 £000	2013 £000
Steven Bates	32.2	30.0
Josephine Dixon	26.9	25.0
Saul Estrin	24.4	22.5
Jonathan Woollett	24.4	22.5
Ivo Coulson	24.4	22.5
Frances Daley (appointed 29 April 2014)	10.6	–
Total	142.9	122.5

During the year ended 30 September 2014 up until 31 December 2013 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.

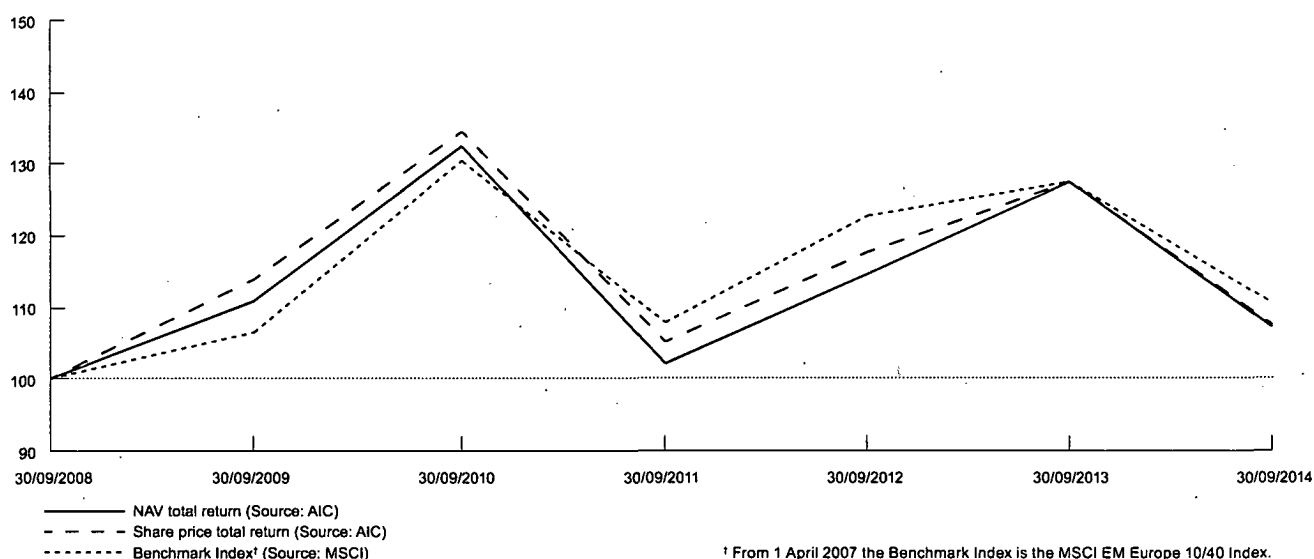
As reported last year following a review of Directors' fees it was agreed from 1 January 2014 to increase the annual fees to £33,000 for the Chairman, £27,500 for the Chairman of the Audit Committee and £25,000 for other Directors. This represents the first increase in Directors' fees since 1 October 2007.

Directors' Remuneration report (cont'd)

Share price performance (not audited)

The following graph compares the share price and net asset value performance against the Benchmark Index†:

Six year performance versus Benchmark Index



Relative importance of spend on pay (audited)

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the year to 30 September 2014 and the prior year. This disclosure is a statutory requirement, however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment trust with an objective of providing shareholders with long-term capital growth.

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000	Change £000
Aggregate Directors' emoluments plus expenses	143	123	20
Aggregate shareholder distributions in respect of the year	3,567	3,705	(138)

Voting at last Annual General Meeting

At the Annual General Meeting of the Company held on 14 January 2014 a binding resolution was put to shareholders to approve the Directors' Remuneration Policy set out in the 2013 annual financial report. This resolution was passed on a show of hands. The proxy votes registered in respect of the binding resolution were:

	For	Against	Withheld
Number of proxy votes	9,616,914	24,369	3,889

Directors' Remuneration report (cont'd)

At the Annual General Meeting of the Company held on 14 January 2014 an advisory resolution was put to shareholders to approve the Directors' Remuneration report, set out in the 2013 annual financial report. This resolution was passed on a show of hands. The proxy votes registered in respect of the advisory resolution were:

	For	Against	Withheld
Number of proxy votes	9,570,895	68,943	5,334

Approval

A resolution for the approval of the Directors' Remuneration report for the year ended 30 September 2014 will be proposed at the Annual General Meeting.

By order of the Board

M. J. Nokes

Secretary

24 November 2014



Independent Auditor's report

to the members of Baring Emerging Europe PLC only

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the financial statements of Baring Emerging Europe PLC for the year ended 30 September 2014 set out on pages 38 to 53. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit were as follows:

Carrying amount of quoted investments (£130.7m)

Refer to page 31 (Audit Committee Report), page 42 (accounting policy) and pages 46 to 53 (financial disclosures)

The risk – The Company's portfolio of quoted investments makes up 98.8% of the Company's Total Assets (by value) and is the key driver of operations and performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response – Our procedures over the completeness, valuation and existence of the Company's quoted investment portfolio included, but were not limited to:

- documenting and assessing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and
- agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations.

Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £2.65m. This has been determined with reference to a benchmark of Total Assets (of which it represents 2%). Total Assets, which is primarily composed of the Company's investment portfolio, is the key driver of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing its financial performance.

We agreed with the Audit Committee to report to it corrected and uncorrected misstatements we identified through our audit with a value in excess of £132,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the administrator's head office in London.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

Independent Auditor's report (cont'd)

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the Audit Committee.

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

- adequate accounting records have not been kept by the Company, 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.

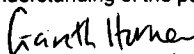
Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 21, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 25 to 30 relating to the Company's compliance with the nine provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



Gareth Horner (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

24 November 2014

Income statement

(incorporating the Revenue Account*) for the year ended 30 September 2014

	Notes	Year ended 30 September 2014			Year ended 30 September 2013		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(Losses)/gains on investments held at fair value through profit or loss	9	-	(29,326)	(29,326)	-	11,946	11,946
Income	2	5,903	-	5,903	7,490	-	7,490
Investment management fee	3	(594)	(592)	(1,186)	(1,439)	-	(1,439)
Other expenses	4	(1,008)	-	(1,008)	(974)	-	(974)
Net (loss)/return before finance costs and taxation		4,301	(29,918)	(25,617)	5,077	11,946	17,023
Finance costs	5	(15)	-	(15)	(21)	-	(21)
(Loss)/return on ordinary activities before taxation		4,286	(29,918)	(25,632)	5,056	11,946	17,002
Taxation	6	(665)	-	(665)	(817)	-	(817)
(Loss)/return attributable to ordinary shareholders		3,621	(29,918)	(26,297)	4,239	11,946	16,185
Return per ordinary share	8	18.55p	(153.31)p	(134.76)p	19.44p	54.76p	74.20p

*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 42 to 53 form part of these accounts.

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

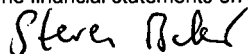
A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

Balance sheet

as at 30 September 2014

	Notes	2014 £000	2013 £000
Non current assets			
Investments at fair value through profit or loss	9	130,700	167,899
Current assets			
Debtors	10	726	762
Cash at bank and in hand		804	3,312
		1,530	4,074
Creditors: amounts falling due within one year	11	(674)	(643)
Net current assets		856	3,431
Net assets		131,556	171,330
Capital and reserves			
Called-up share capital	12	2,222	2,357
Share premium account		1,411	1,411
Redemption reserve		2,566	2,431
Capital reserve		117,796	157,486
Revenue reserve		7,561	7,645
Total equity shareholders' funds		131,556	171,330
Net asset value per share	13	695.92p	846.16p

The financial statements on pages 38 to 53 were approved by the Board on 24 November 2014 and signed on its behalf by:



Steven Bates
Chairman

The annexed notes on pages 42 to 53 form part of these accounts.

Company registration number 4560726

Reconciliation of movement in shareholders' funds

for the year ended 30 September 2014

	Called-up share capital £000	Share premium account £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
For the year ended						
30 September 2014						
Beginning of year	2,357	1,411	2,431	157,486	7,645	171,330
Return for the year	-	-	-	(29,918)	3,621	(26,297)
Buyback of own shares for cancellation	-	-	-	(9,772)	-	(9,772)
Transfer to capital redemption reserve	(135)	-	135	-	-	-
Dividends paid	-	-	-	-	(3,705)	(3,705)
Balance at						
30 September 2014	2,222	1,411	2,566	117,796	7,561	131,556

	Called-up share capital £000	Share premium account £000	Redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
For the year ended						
30 September 2013						
Beginning of year	2,769	1,411	2,019	175,988	7,016	189,203
Return for the year	-	-	-	11,946	4,239	16,185
Buyback of own shares for cancellation	-	-	-	(30,448)	-	(30,448)
Transfer to capital redemption reserve	(412)	-	412	-	-	-
Dividends paid	-	-	-	-	(3,610)	(3,610)
Balance at						
30 September 2013	2,357	1,411	2,431	157,486	7,645	171,330

The annexed notes on pages 42 to 53 form part of these accounts.

Cashflow statement

for the year ended 30 September 2014

	Year ended 30 September 2014 £000	Year ended 30 September 2013 £000
Notes		
Operating activities		
Income received from investments	5,951	7,545
Investment management fees paid	(1,215)	(1,439)
Other cash payments	(1,019)	(899)
Net cash inflow from operating activities	14 3,717	5,207
Servicing of finance		
Interest paid	(16)	(21)
Taxation		
Overseas tax paid	(677)	(817)
Financial investment		
Purchases of investments	(115,443)	(66,570)
Sales of investments	123,077	99,062
Net cash inflow from financial investment	7,634	32,492
Equity dividends paid	(3,705)	(3,610)
Net cash inflow before financing	6,953	33,251
Financing		
Buyback of ordinary shares	(9,461)	(30,448)
Net cash outflow from financing	(9,461)	(30,448)
(Decrease)/increase in cash	15 (2,508)	2,803

The annexed notes on pages 42 to 53 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 Alternative Investment Fund 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 50% to revenue and 50% to capital from 1 October 2013 (prior to this it was charged 100% to revenue);
- any investment performance bonus payable to Baring Fund Managers 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 Fund Managers 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 has been utilised 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 2014 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

	2014 £000	2013 £000
Income from investments		
Overseas dividends – Quoted	5,903	7,490
	5,903	7,490

Notes to the accounts (cont'd)

3. Investment management fee

Baring Fund Managers Limited ("BFM") acts as the Alternative Investment Fund Manager ("AIFM") of the Company under an agreement terminable by either party giving not less than six months' written notice. Under this agreement BFM receives a basic fee (charged 50% to revenue and 50% to capital) which is calculated monthly and payable at an annual rate of 0.8% of the net asset value of the Company. From 1 October 2013 the Directors decided upon a policy of allocating the investment management fees charging 50% to the revenue account and 50% to the capital account.

In addition under the agreement BFM 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 Index and any previous underperformance must be recovered before any fee is payable. 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 2014 and 30 September 2013.

The investment management fee comprises:

	2014 £000	2013 £000
Basic fee (50% charged to revenue from 1 October 2013; prior to this 100% was charged to revenue)	594	1,439
Basic fee (50% charged to capital from 1 October 2013)	592	–
	1,186	1,439

At 30 September 2014, £188,000 (30 September 2013: £216,000) of this fee remained outstanding.

4. Other expenses

	2014 £000	2013 £000
Custody and administration expenses	824	796
Auditor's remuneration for:		
– audit	29	29
– other services*	12	26
Directors' fees	143	123
	1,008	974

*KPMG LLP other services includes £5,000 for withholding tax work in Russia and £7,000 for corporation tax compliance work (2013: £19,000 for withholding tax work in Russia and £7,000 for corporation tax compliance work).

Notes to the accounts (cont'd)

5. Finance costs

	2014 £000	2013 £000
(All charged to revenue)		
On short-term loan and gearing facility with State Street Bank & Trust Company repayable within 5 years, not by installments		
Bank overdraft	15	21
	15	21

6. Taxation

	Revenue £000	2014 Capital £000	Total £000	Revenue £000	2013 Capital £000	Total £000
(a) Current tax charge for the year:						
Overseas taxation (note 6(b))	665	-	665	817	-	817

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

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

	Revenue £000	2014 Capital £000	Total £000	Revenue £000	2013 Capital £000	Total £000
Return on ordinary activities before taxation	4,286	(29,918)	(25,632)	5,056	11,946	17,002
Return on ordinary activities multiplied by the standard rate of corporation tax of 22.0% (2013: 23.5%)	943	(6,582)	(5,639)	1,188	2,807	3,995
Effects of:						
Non taxable overseas dividends	(1,299)	-	(1,299)	(847)	-	(847)
Overseas withholding tax	665	-	665	817	-	817
Capital gains not subject to tax	-	6,452	6,452	-	(2,807)	(2,807)
Investment management fee capitalised	-	130	130	-	-	-
Excess management expenses utilised	356	-	356	(341)	-	(341)
Current tax charge for the year	665	-	665	817	-	817

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

Notes to the accounts (cont'd)

6. Taxation (cont'd)

The Company has an unrecognised deferred tax asset of £1,115,000 (2013: £687,000) based on the long term prospective corporation tax rate of 20% (2013: 21%). 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.

7. Dividend

	2014 Pence per share	2014 £000	2013 Pence per share	2013 £000
Annual dividend per ordinary share	19.00p	3,592	19.00p	3,847

8. Return per ordinary share

	Revenue	Capital	Total 2014	Revenue	Capital	Total 2013
Return per ordinary share	18.55p	(153.31)p	(134.76)p	19.44p	54.76p	74.20p

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £3,621,000 (2013: £4,239,000).

Capital return per ordinary share is based on net capital losses for the financial year of £(29,918,000) (2013: net capital profits of £11,946,000).

These calculations are based on the weighted average of 19,515,035 (2013: 21,815,561) ordinary shares in issue during the year.

At 30 September 2014 there were 18,904,043 ordinary shares of 10 pence each in issue (2013: 20,248,043) which excludes 3,318,207 ordinary shares held in treasury (2013: 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.

9. (i) Fixed asset investments

Country of listing	Quoted overseas £000	Total 2014 £000	Quoted overseas £000	Total 2013 £000
Czech Republic	–	–	550	550
Greece	6,742	6,742	–	–
Hungary	5,490	5,490	3,983	3,983
Poland	15,695	15,695	10,517	10,517
Russia	74,473	74,473	122,877	122,877
Turkey	19,867	19,867	25,408	25,408
Other	8,433	8,433	4,564	4,564
Total	130,700	130,700	167,899	167,899

Notes to the accounts (cont'd)

9. (ii) Movements in the year

	Quoted overseas £000	Unquoted £000	Total 2014 £000	Quoted overseas £000	Unquoted £000	Total 2013 £000
Book cost at beginning of year	158,215	26	158,241	184,630	26	184,656
Gains/(losses) on investments held at beginning of year	9,684	(26)	9,658	3,663	(26)	3,637
Valuation at beginning of year	167,899	-	167,899	188,293	-	188,293
Movements in year:						
Purchases at cost	115,204	-	115,204	64,436	-	64,436
Sales proceeds	(123,077)	-	(123,077)	(96,776)	-	(96,776)
(Losses)/gains on investments sold in year	(6,593)	-	(6,593)	5,924	-	5,924
(Losses)/gains on investments held at year end	(22,733)	-	(22,733)	6,022	-	6,022
Valuation at end of year	130,700	-	130,700	167,899	-	167,899

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 2014 amounted to £205,000 (2013: £94,000) and on sales for the year they amounted to £178,000 (2013: £172,000).

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

	2014 £000	2013 £000
(Losses)/gains on investments sold in the year	(6,593)	5,924
(Losses)/gains on investments held at year end	(22,733)	6,022
Total (losses)/gains on investments	(29,326)	11,946

A list of the Company's investments by market value is shown on pages 12 and 13, and a geographical classification and industrial classification of the investment portfolio are shown on pages 10 and 14.

Notes to the accounts (cont'd)

10. Debtors

	2014 £000	2013 £000
Amounts due within one year		
Prepayments and accrued income	693	741
Other debtors	33	21
	726	762

11. Creditors

	2014 £000	2013 £000
Amounts falling due within one year		
Purchases for future settlement	-	241
Amounts outstanding to brokers due to the buyback of own shares	311	-
Other creditors	363	402
	674	643

The Company has a US\$25 million loan facility with State Street Bank and Trust Company. Under this facility, the Company may draw up to a maximum principal amount of US\$25 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.

12. Called-up share capital

	2014 £000	2013 £000
Allotted, issued and fully paid up		
22,222,250 (2013: 23,566,250) ordinary shares of 10 pence (fully paid)	2,222	2,357

During the year 1,344,000 ordinary shares were repurchased for cancellation for £9,772,000 (2013: 4,123,000 ordinary shares were repurchased for cancellation for £30,448,000). 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 (2013: 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 131,000 shares have been repurchased for cancellation.

Notes to the accounts (cont'd)

13. 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:

	2014	2013
Total shareholders' funds (£000)	131,556	171,330
Net asset value (pence per share)	695.92p	846.16p

The net asset value per share is based on total shareholders' funds above, and on 18,904,043 ordinary shares in issue at the year end (2013: 20,248,043 ordinary shares in issue) which excludes 3,318,207 ordinary shares held in treasury (2013: 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.

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

	2014 £000	2013 £000
Total net (loss)/return before finance costs and taxation	(25,617)	17,023
Net capital return before finance costs and taxation	29,918	(11,946)
Increase in accrued income	47	55
(Decrease)/increase in sundry creditors	(39)	75
Investment management fee (50% charged to capital from 1 October 2013)	(592)	-
Net cash inflow from operating activities	3,717	5,207

15. Analysis of changes in cash during the year

	2014 £000	2013 £000
Beginning of year	3,312	509
Net cash (outflow)/inflow	(2,508)	2,803
End of year	804	3,312
Analysis of balance:		
Bank balance	804	3,312

16. Financial commitments

At 30 September 2014, there were no outstanding capital commitments (2013: nil).

Notes to the accounts (cont'd)

17. Custodian's lien

Under the terms of the Depositary and 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 Depositary and Custody Agreement.

18. Related party disclosures

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

19. 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 2013. The Company's Alternative Investment Fund 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 9, 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 Alternative Investment Fund 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 2014 monetary assets included cash balances totalling £804,000 (2013: £3,312,000) that were held in US dollars.

Notes to the accounts (cont'd)

19. Risk management policies and procedures (cont.)

(b) Currency risk (cont.)

Foreign currency sensitivity

The following table illustrates the sensitivity of the revenue return for the year 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:

	2014 £000	2013 £000
Income statement – profit after taxation:		
Revenue return – increase	426	494

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

	2014 £000	2013 £000
Income statement – profit after taxation:		
Revenue return – decrease	(426)	(494)

Impact on capital return is disclosed in note 19 (d).

(c) Interest rate risk

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

Cash at bank at 30 September 2014 (and 30 September 2013) 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 Index. The Alternative Investment Fund Manager has been given discretion around the Benchmark Index to enable it to add value. The amount by which the portfolio diverges from the Benchmark Index is closely monitored by the Board with the goal of ensuring that the risk taken is proportionate to the value added.

Concentration of exposure to other price risk

An analysis of the Company weighting versus Benchmark Index and a sector breakdown and geographical allocation of the portfolio is contained in the Alternative Investment Fund Manager's report on pages 10 and 14.

Notes to the accounts (cont'd)

19. Risk management policies and procedures (cont.)

(d) Other price risk (cont.)

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 2014 £000	Decrease in fair value 2014 £000	Increase in fair value 2013 £000	Decrease in fair value 2013 £000
Income statement – profit after taxation:				
Capital return – increase/(decrease)	13,070	(13,070)	16,790	(16,790)
Total profit after taxation other than arising from interest rate or currency risk – increase/(decrease)	13,070	(13,070)	16,790	(16,790)
Equity	13,070	(13,070)	16,790	(16,790)

(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 Alternative Investment Fund 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 Alternative Investment Fund 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)

19. 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), 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 2014:

	Level 1 £000	Total 2014 £000
Equity investments	130,700	130,700
Total	130,700	130,700

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 2014).
- 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 2014 with a market value).

The valuation techniques used by the Company are explained in the accounting policies note on page 42.

20. 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 claim for £242,000 was successful but that decision was subject to an appeal by the Polish tax authorities which was heard on 7 November 2014; whilst the appeal was rejected the full written justification of the judgement has not yet been received and this amount therefore has not been recognised in the financial statements for the year ended 30 September 2014. As reported in 2011 the Company has engaged KPMG LLP to advise on the recovery of excess withholding tax on dividends received from companies in Russia. To date an amount of £23,000 was recovered in the year to 30 September 2013 and a further £20,000 was received in the year to 30 September 2014. There is potential to recover further amounts of withholding tax but this has not been recognised in the financial statements for the year ended 30 September 2014 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, 15 January 2015, at 2:30pm to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11 as ordinary resolutions, and as to resolutions 12 and 13 as special resolutions:

Ordinary business

1. To receive the Directors' report and statement of accounts for the year ended 30 September 2014.
2. To approve the Directors' Remuneration report for the year ended 30 September 2014.
3. To approve the annual dividend.
4. To re-elect Steven Bates as a Director of the Company.
5. To re-elect Ivo Coulson as a Director of the Company.
6. To re-elect Saul Estrin as a Director of the Company.
7. To re-elect Jonathan Woollett as a Director of the Company.
8. To elect Frances Daley as a Director of the Company.
9. To re-appoint KPMG LLP 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.
10. To authorise the Directors to determine the Auditor's remuneration.

Special business

11. 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 £93,865, (being approximately 5% of the issued share capital of the Company as at 21 November 2014 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.

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

That if resolution 11 set out in the notice convening the Annual General Meeting of the Company dated 21 November 2014 (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:

Notice of Annual General Meeting (cont'd)

- (a) to the allotment of equity securities in connection with an offer of equity securities to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- (b) in the case of the authority granted under resolution 11 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 £110,456;

such power to apply until the earlier of the conclusion of the Annual General Meeting of the Company in 2016, or 14 July 2016, 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.

13. 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 2,814,079 (being approximately 14.99% of the issued share capital of the Company as at 21 November 2014 being the latest practicable date prior to the publication of this notice of meeting, 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 2016, or 14 July 2016, 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

24 November 2014



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 Asset Services (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 using the enclosed Business Reply Envelope, or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 2:30pm on Tuesday, 13 January 2015 (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).
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, 13 January 2015 (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 21 November 2014 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 18,773,043 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 21 November 2014 are 18,773,043.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 2:30pm on Tuesday, 13 January 2015 (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). 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 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.

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

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 24 November 2014 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

Baring Asset Management Limited

155 Bishopsgate

London EC2M 3XY

Telephone: 020 7628 6000

(Authorised and regulated by the Financial Conduct Authority)

www.barings.com

Registered in England and Wales no: 02915887

Registered office as above.