

BARINGS



Annual Report & Audited Financial Statements

for the year ended 30 September 2018

Baring Emerging
Europe PLC

For more information please visit our website:
www.bee-plc.com, which is accessed via
the AIFM's website portal (www.barings.com).



Alternatively, use your phone's
QR app to go to our website.



Contents

COMPANY SUMMARY

Baring Emerging Europe PLC (the “Company” or the “Fund”) was incorporated on 11 October 2002. The Company is an investment trust quoted on the London Stock Exchange under the ticker code BEE. As an investment trust, the Company appoints an Alternative Investment Fund Manager, Baring Fund Managers Limited (the “AIFM”) to manage its investments and other specialised third-party service providers to establish and maintain an investment policy in line with the investment objective.

The AIFM has delegated responsibility of the investment management of the portfolio to Baring Asset Management Limited (the “Investment Manager”).

FEES

The AIFM receives an investment management fee of 0.8% of the Net Asset Value (“NAV”) of the Company.

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 Company’s full investment policy is set out on page 6 and contains information on the policies which the Company follows relating to asset allocation, risk diversification and gearing, and includes maximum exposures, where relevant.

BENCHMARK

The Company’s comparator performance benchmark is a benchmark based on the MSCI Emerging Europe 10/40 Index.

STRATEGIC REPORT

Financial Highlights	2
Chairman’s Statement	3-5
Our Strategy	6-7
Principal Risks and Uncertainties	8-9
Investment Manager Arrangements	10
Report of the Investment Manager	11-22
Corporate Review	23-24

GOVERNANCE

Board of Directors	25
Report of the Directors	26-29
Statement of Corporate Governance	30-41
Nomination Committee Report	42
Audit Committee Report	43-46
Directors’ Remuneration Report	47-49
Statement of Directors’ Responsibilities	50
Independent Auditor’s Report	51-54

FINANCIAL STATEMENTS

Income Statement	55
Statement of Financial Position	56
Statement of Changes in Equity	57
Notes to the Financial Statements	58-69

OTHER INFORMATION

The Alternative Investment Fund Manager and AIFMD Disclosures	70-71
Glossary	72
Directors and Officers	73
Notice of Annual General Meeting	74-75
Notes to Notice of Annual General Meeting	76-78
Explanation of Notice of Annual General Meeting	79-80
Location Map for Annual General Meeting	81
Financial Calendar	81

Financial Highlights as at 30 September 2018

	2018	2017
Net asset value per ordinary share ("NAV")	824.76p	877.99p
Revenue return per ordinary share	24.77p	22.31p
Dividends per ordinary share	34.0p	32.0p
Share price	714.00p	775.00p
Ongoing charges (based on average NAV)	1.50%	1.42%
Gearing Ratio – Gross basis	106%	107%
Gearing Ratio – Commitment basis	109%	109%

Performance (total return basis)

	2018	2017
Net asset value per ordinary share	-2.57%	+26.9%
Share price	-3.61%	+27.6%
Benchmark*	+1.62%	+21.4%

*The Comparator Benchmark Index is the MSCI Emerging Europe 10/40 Index.
Source: MSCI

Discount

	2018	2017
Discount to net asset value per share*	13.40%	11.72%
Average discount to net asset value per share	12.64%	13.40%

*Based on the net asset value including income.

Return Per Ordinary Share

	30 September 2018			30 September 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share	24.77p	(51.98)p	(27.21)p	22.31p	168.65p	190.96p

Revenue return (earnings) per ordinary share is based on the return for the year of £3,388,000 (2017: £3,294,000). Capital return per ordinary share is based on net capital loss for the financial year of £(7,109,000) (2017: net capital gains of £24,897,000). These calculations are based on the weighted average of 13,677,229 (2017: 14,762,470) ordinary shares in issue during the year.

At 30 September 2018, there were 13,135,044 ordinary shares of 10 pence each in issue (2017: 14,028,979) which excludes 3,318,207 ordinary shares held in treasury (2017: 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. All shares repurchased during the year were cancelled.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Chairman's Statement

To borrow from a footballing cliché, in the year in which Russia, our most significant investee country in the Fund, hosted the World Cup, 2017/18 was a year of two halves. We reported encouraging results in the first half of the year, despite growing geopolitical tensions arising from the Skripal affair in the UK, followed shortly after the period end by an alleged chemical attack in Syria.

Subsequently investor confidence was severely shaken following the imposition of new US sanctions on certain individuals and companies in Russia. The stand out performance of Russian energy stocks mitigated these effects and Russia ended the period as one of the strongest performing emerging market countries globally. Whilst it is hard not to be side-tracked by geopolitical factors the Board and the Investment Manager continue to believe in Russia's investment potential, given increasing earnings and dividend flow from undervalued stocks.

The Summer brought economic turbulence in Turkey, another important investee country, which led to the devaluation of the Lira by 40.8% and sparked a currency and stock market slide in other emerging markets. Meanwhile, Polish equities, and those from other Central European countries, provided much needed stability.

Performance

In sterling terms, the NAV per share on a total return basis fell by 2.57%, which compares with an increase of 1.62% in the Company's benchmark, the MSCI Emerging Europe 10/40 Index. This was disappointing and reflects a huge gulf in performance between "sanction proofed" energy stocks and other domestically oriented Russian companies over the period, which are perceived as more at risk. Whilst we have benefited considerably from our energy exposure, we are underweight relative to the benchmark since we see substantially more performance potential in domestic growth companies. Whilst this has hurt us in the short term the Board and the Investment Manager still believe it to be the right long-term strategy.

Operating in a volatile market we look to take a longer-term perspective as this is a much better basis on which to measure the performance of the Investment Manager. I am very pleased to be able to report that over three years, the NAV has risen by 20.4%, compared to 16.2% for the benchmark, and over five years, the NAV has returned 3.1% compared with 0.9% for the benchmark (Annualised).

Beyond the benchmark, we also keep an eye on where we sit in the peer group, conscious that you as an investor have a choice of where and how to invest. Against competitor funds, defined by the Morningstar Emerging Europe Universe, your Company ranks 95 out of 259 over one year, 22 out of 247 over three years and 43 out of 229 over five years.

These are choppy times and we appreciate the calmness and logic applied to a robust investment process by the investment team at the Investment Manager, led by Matthias Siller, who has been your investment manager for ten years. On behalf of the Board and shareholders, I would like to thank him and his colleagues, Maria Szczesna and Adnan El-Araby, for their contributions to the success of the Company.

Discount Management

Our average discount for the year has reduced to 12.64% (the previous year was 13.40%). During the year, we bought back and cancelled 893,935 shares at an average price of £7.45, equivalent to a discount on average of 12.55%. This has added approximately 7 pence per share to NAV, accounting for just under 1% of the total return to shareholders.

We continue to work to contain the discount by means of:

- share buy backs;
- working to improve shareholder communication both by meetings with actual and potential investors and by expanding the Company's media presence via an improved website and engaging with the press to boost the Company's profile; and
- a greater emphasis on dividends, introducing semi-annual distributions to shareholders. This has been in recognition of the improving corporate governance standards within Emerging Europe, exhibited in the rising dividend pay-out ratios of the companies in which we invest.

You will also recall that at the end of 2016 we announced that a tender for up to 25% of the equity would be triggered at the end of the 2020 fiscal year, four years after the last point at which a tender was triggered, either if the average discount was higher than 12% during the entire period or performance does not exceed 1% of the benchmark annually over that period.

Taken together, the Board hopes that these measures will constrain discount volatility, reduce the level of the discount and make the shares more attractive to a broader range of investors.

Chairman's Statement (continued)

Dividends

As you know, the Board announced with the tender proposals that it intended to pay dividends which might not be fully covered by the income account. At the half-year stage, the Company paid 14 pence per share. At the final stage, we are declaring a dividend of 20 pence per share. This amounts to a total for the year of 34 pence, equivalent to a yield on the current share price of 5% and up two pence on the 32 pence paid in 2017. This payment is not covered in total by the income account, which produced a net revenue per share of 24.77 pence per share (2017: 22.31 pence).

Borrowing

During the past year, the Company has had a borrowing facility of up to \$17 million with State Street Bank and Trust Company. This was renewed on 9 April 2018 but at a reduced borrowing facility of up to \$12 million (reduction of \$5 million) as it had not been fully utilised in the past. The facility has been partly used throughout the period and at the year-end was fully deployed. Given low borrowing costs, the borrowing contributed positively to overall returns.

Company Secretary

We announced the retirement of our previous Company Secretary last year and I am pleased to say that the handover of this role to Link Company Matters Limited went smoothly.

Directors

Steve Bates' stepping down as Chairman was a big loss to the Company and we shall miss his wise counsel. I realise that I have very big shoes to fill and am grateful to my colleagues for the help they have given me in settling into the role of Chairman.

The Nomination Committee has given considerable thought to Board succession in 2018. Ivo Coulson, who has been on the Board since 2010 has resigned effective 30 November 2018, and Jonathan Woollett, who has been on the Board since 2008, has decided not to seek re-election at the Annual General Meeting ("AGM") in January 2019 and will retire from the Board after the AGM. Both Ivo and Jonathan have contributed hugely to the Company during their tenure. We will miss Ivo's stock market and wealth management knowledge as well as Jonathan's insight into Eastern European markets and his tenacity and determination in relation to our marketing efforts. The Nomination Committee have led the process to recruit their successors and appointed an independent external agency, Cornforth Consulting, to assist with this. The Board have subsequently identified Christopher Granville as a Non-Executive Director, who will be appointed with effect from 30 November 2018. Christopher's biography can be found on page 79. The Nomination Committee continues to consider additional candidates.

Shareholder Communication

This is your Company and your Board is here to serve your interests. One of our key responsibilities is to communicate effectively with you, and the Annual Report is an important part of that. I hope you find it informative, but please let me know if you feel differently. I and my colleagues are ready to address any concerns you have at any point, so please email the Company at beepccosec@linkgroup.co.uk with any questions you would like us to answer. You are also all invited to attend the AGM, to be held at the new offices (20 Old Bailey, London EC4M 7BF) of the Investment Manager on Thursday, 10 January 2019 at 2.30pm, at which Matthias will give his customary presentation on the markets and the outlook for the year ahead. Details can be found on pages 74 and 75 of this Report.

You will find enclosed with the Annual Report a letter asking if you would prefer to receive future annual reports and other communications from the Company in electronic form rather than in printed form.

To further reduce the environmental impact, we will be removing paper proxies from our voting process for future meetings in favour of a quicker and more secure method of voting online via our registrars' website. You can however request a paper proxy if you wish from our registrars at the appropriate time.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Chairman's Statement (continued)

Outlook

Matthias refers in his Investment Manager's Report to the fact that Emerging Europe provides a highly uncorrelated investment universe which is prone to examples of both stellar performance and pronounced weakness from different parts of the region within one reporting period. For this reason, it is hard to generalise about the region without dividing it up into its component parts, noting the importance of both asset allocation and stock selection to performance:

- Whilst one should not underestimate the effects of US sanctions, particularly if these are tightened in the future, Russian economic progress continues, which should benefit domestically focused companies. The fall in the Ruble helps exporters, especially in the energy sector where they benefit from lower Ruble costs whilst reporting income in US Dollars. With valuations low despite rising earnings and dividends, it is clear, that the market currently prices in significant further deterioration in the overall political situation with a knock-on effect on the Russian economy. Whether this is justified remains to be seen; we continue to be overweight in this region.
- We are cautious about Turkey and remain underweight. Nevertheless, current valuation levels are very attractive and following government monetary policy measures to stabilise the Lira we will look to take advantage of selective opportunities.
- We believe Poland and the other economies in the region will provide ballast to the portfolio with potential upside in terms of economic growth.

We are used to geopolitical concerns affecting performance in Emerging Europe but, as I write this, global markets are also showing volatility over a lengthening list of investor worries including the possibility of a US trade war with China, Italy's budget wrangles and fears of a disorderly Brexit. Inevitably our investment universe will be drawn into this, so the important thing is to focus on the investment fundamentals over the medium term and try to look beyond the noise from short-term elements we cannot control.

Frances Daley

Chairman

22 November 2018

Our Strategy

INVESTMENT TRUST

The Company is a public limited company with shares quoted on the London Stock Exchange. As an investor you become a shareholder in the Company.

Becoming a shareholder of the Company provides access to the skill and expertise of the established investment team's active management of the stock market investments, whilst providing a regular 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.

Investment Policy

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

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 gross assets.

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 Czechia 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.

In addition, the Board has agreed that up to 15% of the gross 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 gross assets save with the prior written consent of the Board. Where excess occurs due to market movement the Investment 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 Board currently intends that the "other countries" for the purposes of the Investment Policy will comprise Bahrain, Egypt, Jordan, Kenya, Kuwait, Lebanon, Mauritius, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, Tunisia and UAE.*

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Our Strategy (continued)

Borrowings and Gearing

The Company's Articles of Association ("Articles") provide that the Company may borrow an amount equal to its share capital and reserves. At 30 September 2018, the only loan facility in place was a US\$12 million loan facility with State Street Bank and Trust Company which can be used as a source of gearing. In order to provide a mechanism to gear the portfolio the Board has authorised the AIFM to invest in long only derivatives in Polish, Russian and Turkish index futures where feasible. The AIFM 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.

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 renewed, at a reduced amount, its revolving credit facility during the year. The principal covenant that applies to the loan facility is that NAV must not decline by more than 20% during any one month period.

Discount control mechanism

In 2013, the Board set out a discount management target of maintaining the "Discount to NAV" for any given financial year at an average of under 12%, failing which a tender would be offered to shareholders.

The Board decided that it was in the Company's interest that it takes certain steps to address the long-term viability of the Company's approach to discount management and has approved the implementation of the following measures.

1. With effect from 1 June 2017, the introduction of a policy to offer shareholders a tender of up to 25% of the shares (at the minimum discount at which no dilution will occur) in the event that:
 - (i) the average daily Discount to NAV ('cum-income') exceeds 12% as calculated with reference to the trading of the shares over the four year period immediately preceding each relevant publication date of the Company's financial results (the "New Calculation Period"), provided that the first New Calculation Period will be the period between 1 October 2016 and 30 September 2020 (Discount to NAV, for discount management purposes, was previously calculated with reference to the 365 day period prior to the publication of the Company's results for the financial year); or
 - (ii) the performance of the Company's portfolio on a total return basis does not exceed its benchmark (being the MSCI Emerging Europe 10/40 Index) by an average of 100 basis points per annum over the New Calculation Period.
2. An increase in the Company's focus on a dividend yield by paying dividends from capital where considered appropriate by the Board. The Board anticipates paying out up to 1% per annum of NAV from capital.

Principal Risks and Uncertainties

Principal Risks and Uncertainties

The Audit Committee regularly (on a six monthly basis) reviews the risks facing the Company by maintaining a detailed record of the identified risks in the form of a Risk Matrix which assesses the likelihood of such risks occurring and the severity of the potential impact of such risks. This enables the Board to take action and develop strategies in order to mitigate the effect of such risks to the extent possible. An analysis of financial risks can be found in note 18 to the financial statements on pages 65 to 69.

A robust assessment of the principal risks has been carried out, including a review of those risks which would threaten the Company's business model, future performance, solvency or liquidity.

Information about the Company's internal control and risk management procedures can be found in the Audit Committee Report on page 45.

The Board has identified the following as being the principal risks and uncertainties facing the Company:

Risk	Mitigation
1. Adverse market conditions – Emerging markets subject to volatile geo-political and socio economic movements as well as possible imposition of selective sanctions.	It can be argued that the most effective method of protecting the Company from the effects of country specific or individual stock risks is to hold a geographically diversified portfolio spread across a diversified portfolio of stocks. The Company holds 43 stocks in 19 countries and the AIFM has the ability, where necessary, to diversify the portfolio into other regions. The AIFM has a clear investment strategy as set out on pages 12 and 14. Whilst recognising there will be periods when this strategy underperforms the benchmark and peer group, the Board monitors performance at each Board meeting and reviews the investment process throughout the year. The Investment Manager's own internal compliance functions provide robust checks that the Investment Manager complies with the investment mandate.
2. The use of gearing could cause the magnification of both gains and losses in the asset value of the Company.	The Board and the Investment Manager recognise that whilst gearing should enhance investment performance over the long term, it is likely to increase any decline in asset value in the short term. Total return figures based on the basis of debt being marked to estimated market value are likely to be more volatile. The Board manages these risks by setting the gearing limits at prudent levels and the Investment Manager has historically been reluctant to utilise the full facilities available.
3. The Company makes investments in various countries and the portfolio and Company are therefore exposed to fluctuations in currency exchange rates.	The Board recognises that foreign currency risk is an integral part of a portfolio which invests across a range of countries and in particular in emerging market economies. The risk is managed by the Investment Manager by diversifying the portfolio across a number of countries and with countries subject to different economic pressures. The Board regularly reviews the currency exposure of the portfolio with the Investment Manager.
4. The Company outsources all of its operations to third parties and is therefore reliant on those third parties maintaining robust controls to prevent the Company suffering financial loss or reputation as damage.	The Board via the Audit Committee, review the annual controls reports provided by the service providers, including the Investment Manager, Administrator, Custodian and Depositary and assesses whether relevant controls have been operating effectively throughout the period.
5. The portfolio includes investments held in a number of jurisdictions and there is a risk of a loss of assets.	The Investment Manager and Administrator have systems in place for executing and settling transactions and for ensuring assets are safe. In addition, the Company uses an internationally recognised Custodian and sub Custodians and receives regular reports of assets held, which are reconciled by the Administrator. The operation of the Custodian is overseen and reviewed by the Depositary who reports regularly to the Board on the results of its reviews.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Principal Risks and Uncertainties (continued)

Risk	Mitigation
<p>6. The shares of the Company are traded freely and are therefore subject to the influences of supply and demand and the perception of investors to the markets the Company invests in. The share price is therefore subject to fluctuations and like all Investment Trusts may trade at a discount to the NAV.</p>	<p>The Board seeks to manage the widening of the discount by undertaking measured buybacks of the Company's shares. The Company and Investment Manager also have a comprehensive investor and market relationship programme in place which seeks to increase demand for the companies shares.</p> <p>The Board has committed to an increased focus on dividend yield to further enhance the appeal of investing in the Company to increase demand for shares.</p> <p>In addition, as set out on page 7, the Company has offered investors the ability to realise their investments at NAV should the Company not meet targets relating to average discount or performance over a three year period.</p>

Investment Manager Arrangements

Management Arrangements and Fees

Baring Fund Managers Limited 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 the AIFM receives a fee which is calculated monthly and payable at an annual rate of 0.8% of the net asset value of the Company, together with any applicable value added tax thereon and any out of pocket expenses incurred by the AIFM.

There is no performance fee for the AIFM.

The AIFM has delegated the investment management of the portfolio to Baring Asset Management Limited (the “Investment Manager”).

Details of the Investment Manager

The Investment Manager has a team of fund managers who are responsible for the management of the investment portfolio. Matthias Siller, Head of Europe, Middle East and Africa (“EMEA”) at the Investment Manager, is the lead manager and Adnan El-Araby and Maria Szczesna as co-backup managers. Matthias is supported by the wider EMEA Equity Team, which comprises seven experienced investment professionals all of whom have research responsibilities as well as the broader emerging equity professionals based in London, Hong Kong and Taiwan, utilizing their diverse local knowledge and experience. The team also draws further support from the rest of the broader equity platform at the Investment Manager, especially the knowledge, expertise and coverage of our three global sector teams: Healthcare, Resources and Technology.

Matthias joined the Investment Manager in 2006 and was appointed Head of EMEA Equities Team in 2016. Matthias is also lead manager for the Company. He began his career in fund management at Raiffeisen Zentralbank Austria in 1997 as a Market Maker/Proprietary Trader in Central & Eastern European Equities and Derivatives. He joined Bawag – PSK Invest as an EMEA equity portfolio manager in 2001 and moved to Raiffeisen Capital Management in 2003, where he was a portfolio manager for Central & Eastern European Equities. Matthias has a Masters degree from Vienna University in Economics & Business Administration. Matthias was awarded the CFA designation in 2006 and speaks fluent German.

Maria is an investment manager in the EMEA & Global Frontier Markets Equity Team. She is responsible for Financials and Consumer Staples in the region. Maria joined the Investment Manager in 2006 from the Polish Embassy in London, where she worked for three years as an economist. Prior to this, Maria worked in corporate finance at Ernst & Young and BRE Corporate Finance (part of Commerzbank Group) in Warsaw. She holds an MA in Economics from the Warsaw School of Economics and was awarded the CFA designation in 2008. Maria is fluent in Polish.

Adnan is also an investment manager in the EMEA & Global Frontier Markets Equity Team. He is responsible for Real Estate, Pharmaceuticals, Media and Infrastructure in the EMEA region. Adnan joined Barings in 2010 from Legg Mason Capital Management, where he was also an investment analyst. He holds a B.Comm degree from St. Mary’s university, Canada and was awarded the CFA designation in 2006. Adnan is fluent in Arabic.



MATTHIAS SILLER, CFA
Head of EMEA Equities Team



MARIA SZCZESNA, CFA
Investment manager



ADNAN EL-ARABY, CFA
Investment manager

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Investment Manager

for the year ended 30 September 2018

MANAGER COMMENTS

“We view Emerging Europe as one of the most attractively valued investment geographies globally.”

“There are significant growth prospects for companies with access to these expanding markets, which now have a combined population of over 300 million people. Export opportunities are underpinned by competitive advantages such as natural resource availability and pools of highly skilled and low cost labor, while rising income levels support domestic consumption and provide substantial investment potential.”

Investment Philosophy

- We are an active manager with aims to capitalise on opportunities that arise when securities are mispriced.
- We identify investment opportunities through our differentiated and innovative investment process, at the heart of which is fundamental, bottom-up analysis.
- We favour unrecognised growth companies with well-established or improving business franchises, balance sheets and management.
- Our research process integrates macro and dynamic Environmental, Social and Governance (“ESG”) perspectives in company analysis and valuations.
- Our five year research horizon allows our deep pool of investment professionals to take a strategic view on a company’s growth outlook.
- Our experienced team of portfolio managers builds high conviction portfolios, which are tailored to client specifications, and target superior risk-adjusted returns over the long term.

Value Added

- Highly experienced and stable investment team.
- Strict adherence to our Growth at Reasonable Price (“GARP”) investment philosophy and commitment to fundamental, bottom-up research.
- We use a consistent approach globally to score the companies that we research, incorporating ESG factors in addition to macro considerations.
- Our investment style aims to provide long term risk adjusted returns with performance driven by bottom-up fundamentals.

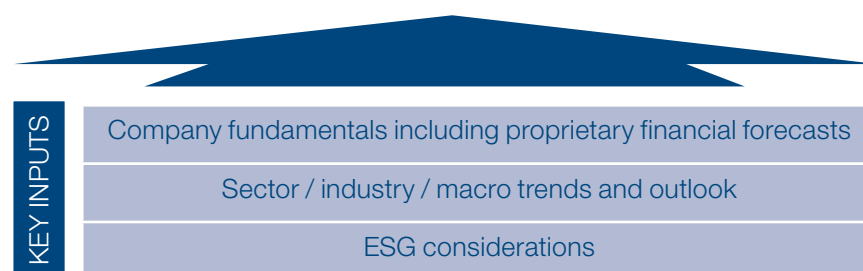
Report of the Investment Manager (continued)

INVESTMENT PROCESS

We believe that equity markets are inefficient and that consistently applied fundamental bottom-up company analysis can identify mispriced opportunities. Fundamental research is the cornerstone of our approach in which we identify mispriced investment opportunities which possess Growth at a Reasonable Price (“GARP”) characteristics. GARP investing incorporates elements of growth and value investing, focusing on companies which have sustainable growth potential but do not demand a high valuation premium.

To each company we research, we apply a consistent, analytical and qualitative framework applied through our Company Scorecard (see below) which focuses on three factors: Growth, Valuation and Quality. By applying a consistent research approach we can evaluate companies and determine relative attractiveness across countries and sectors within the region.

Consistent Company Scorecard		
The company scorecard creates a consistent research approach and helps managers evaluate companies and determine <i>relative attractiveness across geographies and sectors</i>		
GROWTH	VALUATION	QUALITY
<p>Unrecognised growth, typically identified on a five year horizon where market inefficiency is more pronounced</p> <ul style="list-style-type: none"> ■ Historical – last three-years’ net earnings growth ■ Near-term – next 12-months’ net earnings growth ■ Long-term – next five-years’ net earnings growth 	<p>Price targets achieved by discounting long term earnings forecasts using an appropriate cost of equity and a target PE</p> <ul style="list-style-type: none"> ■ Our Valuation Method – five years discounted by COE to set price target and determine upside ■ Earnings based – next 12 month forward P/E multiple ■ Return based valuation – P/B relative to ROE and P/B relative to cost of capital 	<p>Qualitative assessment provides a level of certainty as our research horizon is five years</p> <ul style="list-style-type: none"> ■ Franchise – competitive advantage, efficiency, stability ■ Management – competence, commitment and alignment with shareholder Interest ■ Balance sheet – cash flow, working capital, capital structure analysis
<p>COMPANY SCORE [1-5] Each of the above nine factors are scored 1-5 and equally weighted</p>		



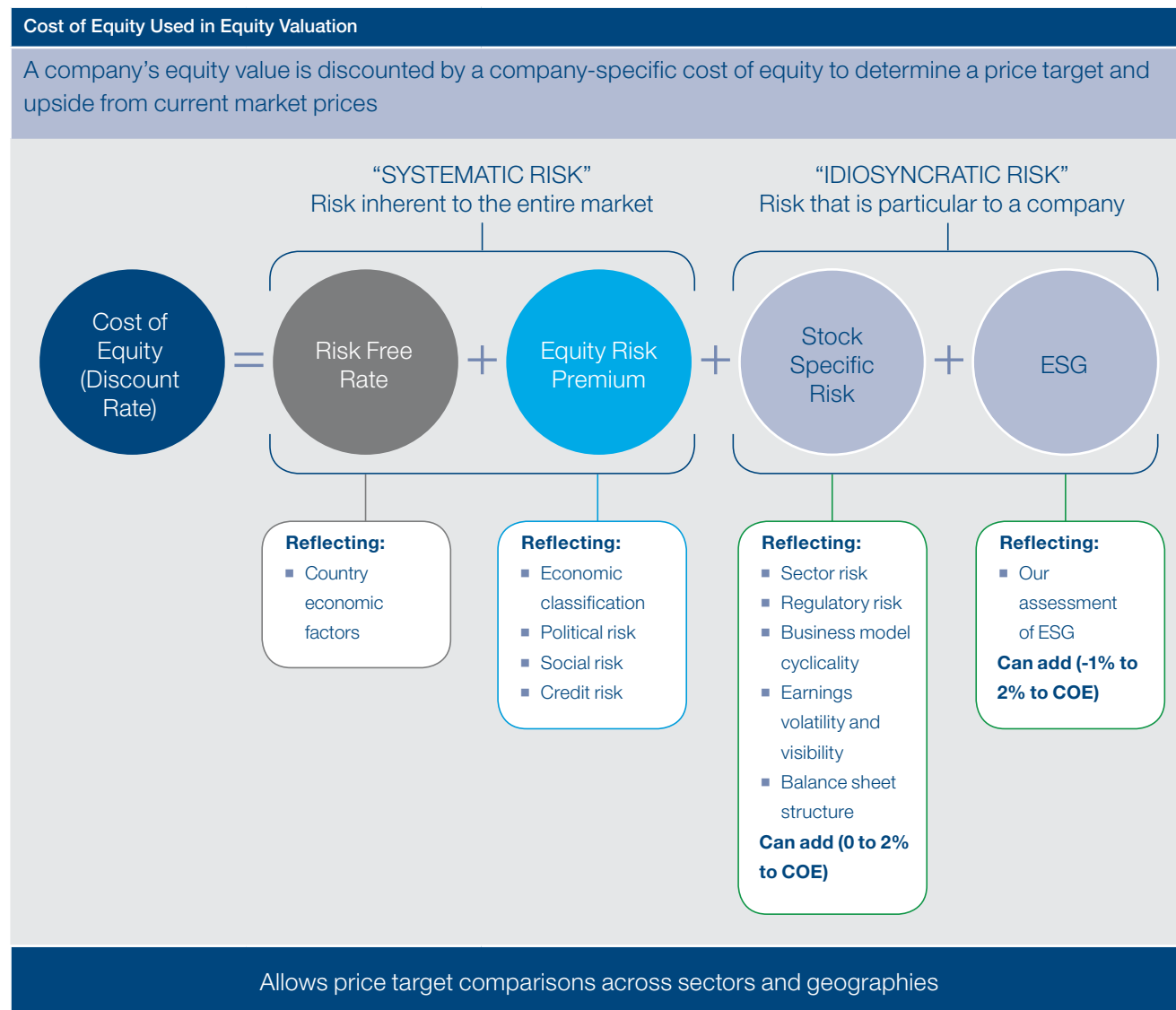
Each company is rated on a scale of 1-5, with a 1 score being the most favourable and a 5 score, the least attractive.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Investment Manager (continued)

Our investment process while focused on company analysis, does also factor in the effects of macro influences such as the economic outlook and political change as well as Environmental, Social and

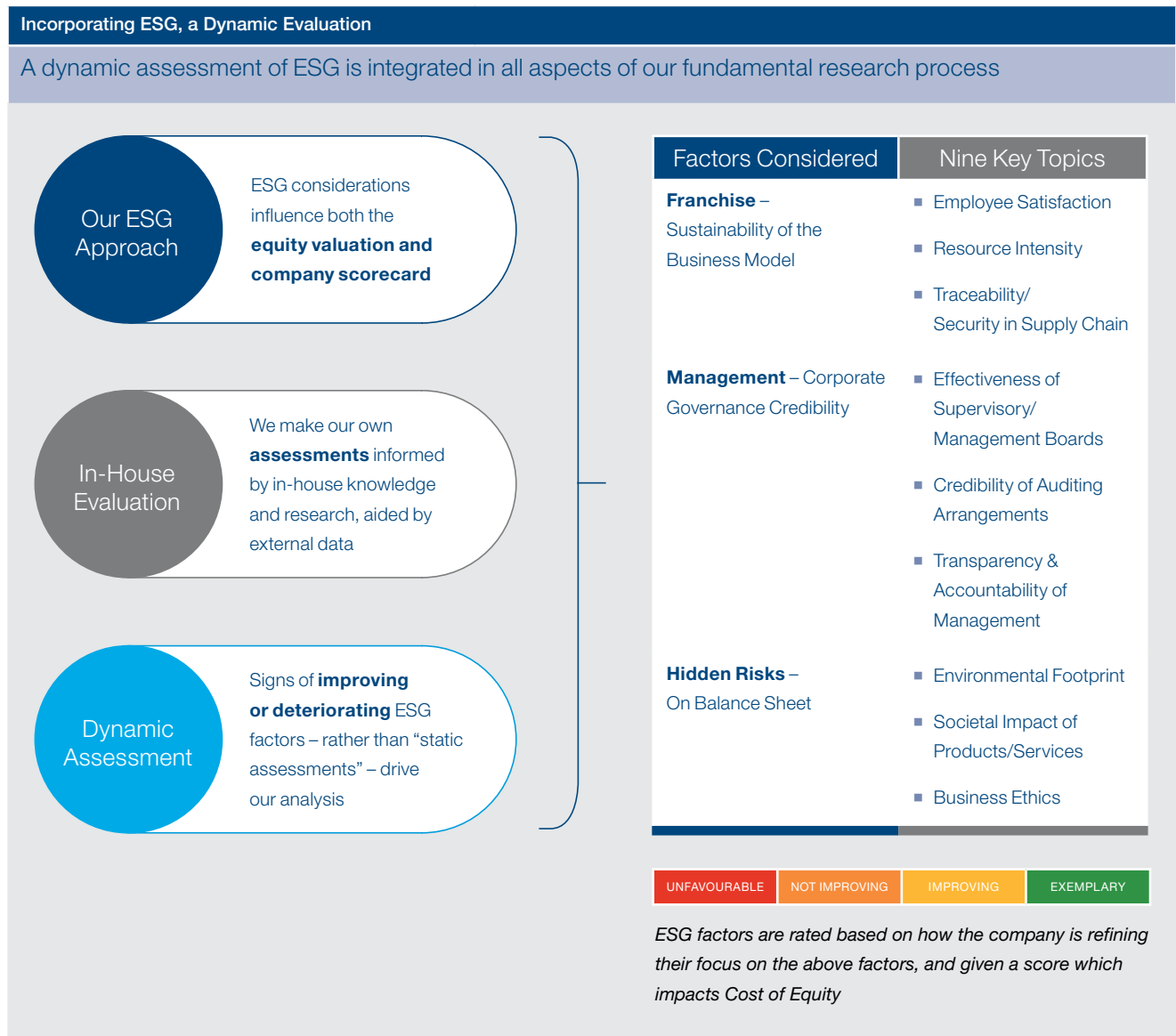
Governance (“ESG”) issues. We integrate these considerations through our unique Cost of Equity (“COE”) when we value companies.



We consider ESG factors among some of the most important variables that can impact an investment’s risks and returns over time. As part of our overall commitment to delivering attractive returns, we endeavour to construct portfolios that meet our clients’ risk-return requirements and this includes incorporating ESG criteria into our investment process. At the Investment Manager, ESG considerations influence both the company score we allocate to the companies we research and the cost of equity in order to capture the specific risks and inherent attractions highlighted by the company’s own ESG approach. As part of our

initial and ongoing analysis, our investment professionals meet with management teams, visit operational facilities and analyse industry competitors to better understand potential risks, including ESG-related issues. This analysis assists in the formation of our assessments where we look for signs of improvement or deterioration, relying on our own research, rather than taking static recommendations from “ESG Specialists”. Our assessment is based on the evaluation of nine key topics in order to arrive at a view on the company with the rating based on how the company is refining their focus on these areas.

Report of the Investment Manager (continued)

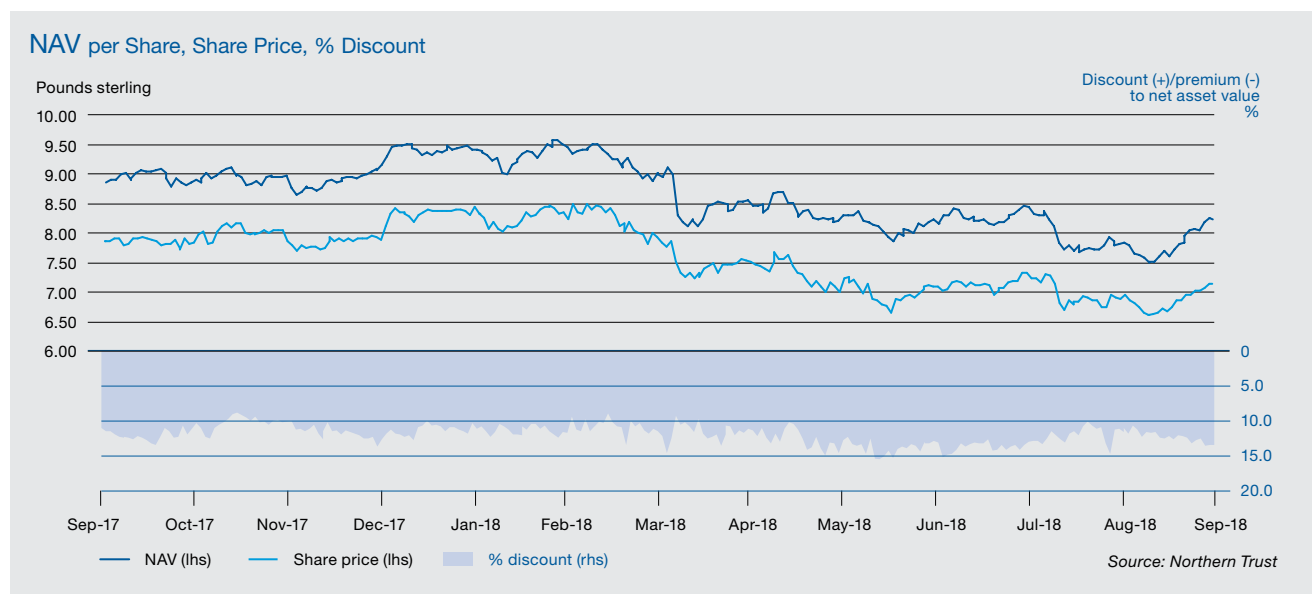


We take the ideas generated through our research processes to construct a portfolio which targets superior risk-adjusted returns. Risk management is central to our investment process and we apply a multi-layered approach to fully understand the risks associated with each position in the portfolio. Evaluations are made across a number of risk metrics including volatility, liquidity, concentration and macro factor sensitivity with proprietary inputs from our quant and investment risk teams to assist in the construction and monitoring of the portfolio. This ensures that the companies we invest are the key drivers of risk and return.

Once invested, our investment professionals continue to monitor each company to ensure that our conviction remains intact and that an investment's risk and return profile remains attractive relative to other opportunities available in the market. It is through this fundamental analysis we seek to gain a comprehensive understanding of the factors that influence the sustainability of the investments we make.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Investment Manager (continued)



Investment Performance

In 2018, Emerging European markets saw the return of volatility, which increased substantially as political and macroeconomic factors weighed on investor confidence. Emerging European currencies, stock markets and sectors have behaved in such a diverse manner, that they have caused a highly uncorrelated investment universe, which exhibited examples of stellar performance and pronounced weakness. Whilst your portfolio did benefit from being broadly diversified, the Company's NAV declined by 2.6% (including dividends), underperforming the MSCI Emerging Europe 10/40 Index benchmark by 1.6%.

Within Russia, the portfolio's performance detracted from relative returns driven by stock selection. Technology stocks year-to-date have been some of the strongest performers globally, yet some of our Russian technology investments suffered, especially domestic orientated companies, as oil and gas significantly outperformed during the period. Under these conditions our investments in Mail.Ru, the Russian internet service and social media service provider and internet technology company Yandex suffered. Notably, the portfolio did benefit from its investment in Eastern European technology software developer EPAM, with the company delivering strong results and a healthy demand pipeline for its solutions.

The potential for further sanctions in Russia kept the Ruble weak despite the higher oil price and placed pressure on companies within financials. The Russian retail sector has also continued to experience pressure following tougher price competition. Here, our underweight position relative to the benchmark in supermarket retailer Magnit was a notable contributor to relative return as the

company reported weak results while our investment in competitor X5, our preferred investment detracted.

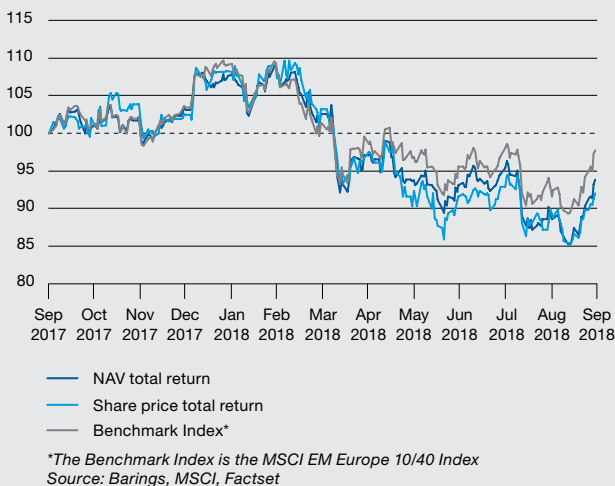
Whilst the portfolio performance was dragged down relative to the benchmark by the underweight positions in specific energy stocks, a number of other stock selections in the sector delivered significant returns, notably, our conviction holdings Novatek and Lukoil. Novatek ended the period as the top performing energy company, continuing to benefit from strong demand for liquefied natural gas and an increasing profitability profile from its projects in the Yamal peninsula. The energy sector sits at the forefront of earnings generation in Russia, which alongside improvements in governance and rising dividend payments, have in our opinion led to reduced risk perceptions.

On 6 April 2018, the US Office of Foreign Assets Control ("OFAC") announced sanctions against seven Russian individuals and companies they own. One of the specific sanctions was directed at the owner of the aluminium producer EN+ Group ("EN+"), where the portfolio owns global depositary receipts. As a result of these sanctions, the share price of EN+ has declined and the market has no liquidity whilst the company remains a sanctioned entity. A prudent valuation marking the investment to zero in the portfolio has been applied by the Board.

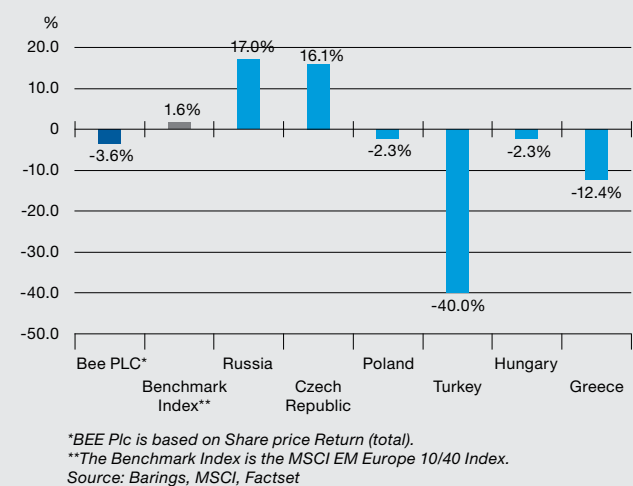
Turkish financial markets have transitioned through a period of extreme stress this Summer as an indecisive monetary framework combined with political interference and rising inflationary pressures undermined the Turkish Lira's credibility, pushing the country's financial system to the limit. Here, the portfolio's overweight

Report of the Investment Manager (continued)

Performance Versus Benchmark Index for the year ended 30 September 2018



Fund, Benchmark Index and Country Returns (£) 30 September 2017 to 30 September 2018



position in the financial sector was a notable detractor, against the benchmark, with our investments in Turkish banks Garanti and Yapi ve Kredi negatively impacted by local market weakness. Despite the recent events, we believe that there remain considerable investment opportunities in the Turkish market, especially in companies that have pricing power and strong balance sheets, which now trade at attractive valuations; providing an attractive entry point for investors who are willing to take a medium term view. One such example is mobile telecoms market leader Turkcell, which was a notable positive contributor to returns. The company operates with an impressive 50% market share and has delivered strong top line growth.

Our investment in the Polish shoe company CCC underperformed following extreme weather on the continent creating a lack of demand for its seasonal product range. Polish copper miner KGHM also suffered weakness, this followed the surprise dismissal of its chief executive officer and deputy. In Greece, the National Bank of Greece was also weak, moving in line with the wider market which continues to suffer from volatility.

Russia

As mentioned above, 2018 saw a renaissance of Russian energy stocks. With an annual average share price appreciation of approximately 50% (in USD) this sector stood out, supported by a higher oil price and a weaker Ruble. The sector dominated the performance ranking of International and Global Emerging Markets. More domestically orientated stocks fared worse as Russian consumer confidence fell and international sanctions continued to impact investors' risk perception as well. Overall the

market ended the period relatively flat, this was a respectable performance which saw Russia end the period as one of the strongest performing emerging market countries globally. As a result, the portfolio continues to be overweight in Russian stocks.

Poland

In an overall volatile Emerging European stock markets environment, it was Polish equities that provided much needed stability. In the banking sector the acquisitive large caps Santander Polska and state owned PKO PB performed solidly, gaining 7% and 20%, respectively. In our opinion, the market's judgement is well supported by potential cost synergies such as digitalisation and leaner branch networks. Even though consumer confidence has increased, supported by high-single-digit growth in disposable income, Consumer stocks found it difficult to live up to the market's high earnings expectations as increased competition kept margins (and inflation) in check.

Turkey

Turkey was the worst performing stock market globally as the country's economy came to an abrupt halt amidst a currency crisis, triggered by weak economic data and a deterioration of the bilateral relationship with the US. However, the Turkish index remains largely unchanged this year in local currency and it is the substantial depreciation of the Turkish lira that led to losses of approximately 40% (in USD). Not surprisingly export orientated companies, earning hard currency, did better than businesses confined to the local economy.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Investment Manager (continued)

Other Regional Markets

The Romanian stock market developed favourably in 2018, as the banking sector benefitted from robust domestic consumption and investment backdrop. More importantly, we take notice of the slow but steady improvement in liquidity and stock market depth (via public offerings) of this most promising of European Frontier Markets.

Greek banks remained under intense scrutiny as investors continue to be concerned about their non-performing loans and asset quality. The repossession of collateral and its subsequent resale has remained a slow and tedious process, hindering the banks' ability to shore up liquidity. Greek refineries, on the other hand, benefitted from their strategic location on the Mediterranean and improving margins.

The Hungarian market, one of the best performing stock markets over the last couple of years, ended the period relatively flat, as rising earnings were counterbalanced by investors' concerns over ultra-dovish Central Bank policies.

Middle Eastern and North African markets benefitted from a strengthening oil price environment, while specifically, the potential inclusion of Saudi stocks into the MSCI Global Emerging Market Index, supported Saudi stocks, opening the Tadawul exchange to an international audience.

Economic and Political Background

Russia

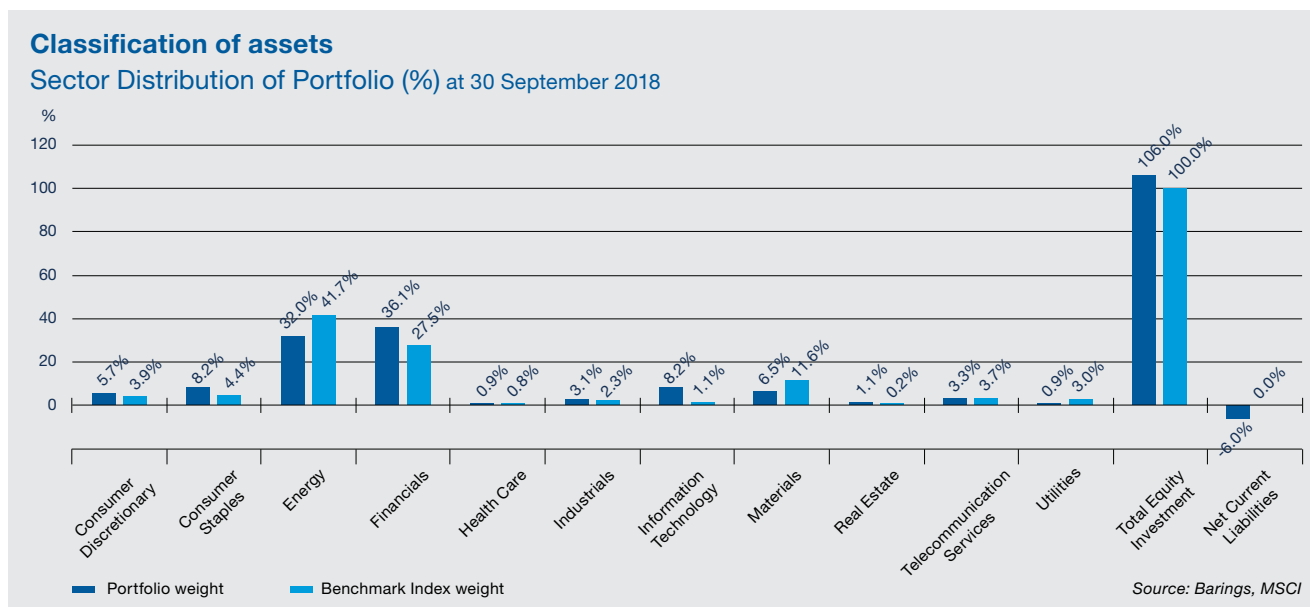
While Russia hosted the Football World Championship to widespread acclaim, geopolitics remained centre stage and provided the backdrop for Vladimir Putin's presidential election victory in March. It is fair to say Russia's relationship with the US and the UK has reached a low point amidst continued allegations of US election interference and the Skripal case in the UK. This led to the eventual imposition of US sanctions on individuals and companies in Russia. The Kremlin's relationship with the EU, Turkey and China, however, subject to a higher degree of Realpolitik, saw signs of renewed engagement. Examples include French President Macron's visit to the St Petersburg Economic Forum, where a multi-billion dollar investment of the French energy supermajor Total in Russia's multi-billion USD Arctic Liquefied Natural Gas project was unveiled; Germany's grand coalition's agreement to adhere to the extension plan of NorthStream, the gas pipeline in the Baltic Sea. Further examples were evident in Turkey where President Erdogan toyed with the idea of equipping NATO's second largest army with Russia's state-of-the-art S-400 missile defence system or the Chinese e-commerce giant Alibaba's announcement at the Vladivostok Eurasia Summit to pursue a multi-million USD joint venture with Russian internet firm Mail.Ru.

Over the period, the Russian economy benefitted from rising oil production, a direct result of the OPEC+Russia agreement which has supported industrial production, while overall household consumption and investment remained muted, which we believe to be a direct consequence of sanctions. Elsewhere, the increase of the pension age and the planned rise in VAT served to support ambitious plans for infrastructure investment and increased spending on education and health. Widespread public condemnation of the pension reform eventually led to a dilution of the original plans, showing that implementing unpopular reforms remains difficult everywhere, regardless of the political system. The Russian government's plan to lower the economy's oil dependency, lowering the Ruble's sensitivity to global oil dynamics, started to take form through the introduction of a budgetary fiscal rule. This fiscal rule aims to feed surplus energy sector-related revenues from the budget to the National Wealth Fund, which is intended to be released to the budget in times of falling oil revenues, i.e. counter-cyclically. The effect of this policy on the Russian Ruble can already be felt as it has rendered the currency less susceptible to oil price swings, a development we welcome as it allows for a more balanced long term development of the economy.

Turkey

Turkish financial markets have transitioned through a period of extreme stress this Summer as an indecisive monetary framework combined with political interference and rising inflationary pressures undermined the Turkish Lira's credibility, pushing the country's financial system to the limit. This was brought about by a number of events beginning with a lax fiscal attitude in the run-up to early presidential and parliamentary elections in June, while the continued erosion of the country's institutional framework, exacerbated further by a sharp deterioration in bilateral relationship with the US served to portray a narrative that undermined the credibility of Turkey. This led to a crisis of trust that manifested itself into a situation where the Turkish Lira declined considerably shedding more than 1/3 of its value within a concentrated period of time. While the Turkish economy had shown signs of overheating prior to these events, market participants had priced in the expectation that Erdogan would instigate a more realistic approach to economic and foreign policies once he was able to fulfil his grand ambition to become Turkey's first president under the recently established US-style presidential system. This perception was supported by the belated, but determined action of the Turkish Central Bank to increase interest rates in the run-up to elections, counterbalancing rising inflationary pressure on the back of rising energy prices and generous fiscal handouts during the election campaign. Amidst rising inflationary pressures, the Central Bank

Report of the Investment Manager (continued)



seemed to abandon orthodox policy leaving rates unchanged and markets reeling. The eruption of a dispute between Turkey and the US regarding the detainment of an American pastor, led the Trump administration to impose sanctions on government officials in Ankara. This served to add further pressure on the Lira at a time when concerns are mounting on the health of the Turkish economy. Crucially, Turkish policy makers and politicians have begun to recognise that the successful stabilisation of the Lira will enable Turkey to re-build trust with markets and curb inflation from spiralling out of control. This renewed stance was shown in a clear

Company Weighting Versus Benchmark Index by Country of Operation

at 30 September 2018

Country of operation	Company	Benchmark*
Czechia Republic	1.1%	3.1%
Greece	1.8%	4.8%
Hungary	3.3%	4.8%
Poland	18.9%	20.2%
Russia	63.1%	57.0%
Turkey	10.6%	10.1%
Romania	3.1%	—
Ukraine	1.1%	—
Other Eastern Europe	2.1%	—
Kuwait	0.9%	—
Net Current Liabilities	-6.0%	—
Total	100.0%	100.0%

*Includes rounding differences.
Source: Barings, MSCI

synchronised monetary and fiscal response via drastic rate hikes in September, a departure from previous growth orientated, fiscally expansive plans.

Poland

Poland's economic development continued to benefit from robust export performance and rising confidence across all sectors of the economy. Poland's multi-year economic expansion success story has provided households with substantial real wage increases, bolstering domestic activity, consumer confidence and investment. Ongoing investment in human capital, infrastructure and R&D has enabled the economy to continue to improve productivity, preserving its status as an attractive and sustainable investment destination in the ultra-competitive environment of industrial manufacturing and software services. Poland has also benefitted from knowledge transfer, finding itself as a much sought-after immigration destination in its own right, notably a hub for many Ukrainians. Citizens of the neighbouring former Soviet Republic have become an integral component of the Polish labour market, providing a flexible and responsive pool of workers benefitting from the high demand in sectors such as Agriculture or Construction. Polish officials have formalised this process by establishing a work-visa based employment system, which has successfully married flexibility with key social benefits such as social insurance. Notably, looking through the sphere of Brexit, Poland is expected to be impacted in different ways. The projected fall of immigration to the UK is predicted to stem the outflow of skilled labour from Poland, the number one country of origin of EU-citizens working in the United Kingdom, which may function to counterbalance

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Investment Manager (continued)

wage inflation. Moreover, Brexit also implies that there will be a sizable reduction in contributions to the EU budget. As one of the consequences, we believe that the EU cohesion funds' contribution to infrastructure investments in its main target area, the new EU member states will be affected negatively.

Other Economies

The European Parliament voted on 12 September 2018 to initiate disciplinary action against Hungary over alleged breaches of the EU's core values, including the rule of law, freedom of the media, and an insufficient fight against corruption. With more than two-thirds of MEPs backing the vote, the European Union sent a clear message in defense of the institutional and legal framework across all member states, but placed a spotlight on Emerging European nations such as Hungary, Poland and Romania. Our belief is that this will highlight that European Union membership is not confined to economic implications but also a clear commitment to the development of the rule of law and investment into institutional oversight. A welcome development, initial discussions on the next European Commission multi-annual financial framework 2021-2027, proposed the introduction of a new cohesion policy conditionality related to the rule of law, thereby attaching a monetary incentive in the form of structural fund grants to compliance with EU core values. An advancement, which we view to be beneficial in fostering corporate governance and friendly shareholder practices.

Greece exited the last of its three bail out packages in August as its creditors, predominantly the European Union, and its member governments, believe the country's finances have improved sufficiently to access public markets again. Overall, we observe economic growth to remain lackluster, and primarily confined to the tourism sector. We believe the key to increasing investment lies in unlocking the availability of credit within the banking sector. The successful monetisation of collateral, mainly re-possessed real estate, would release liquidity that could support economic activity by way of credit extension.

Investment Strategy

In light of rising energy prices the resurgence of the energy sector was one of the key determinants of stock market performance globally and Russian upstream oil and gas companies remain an integral part of our portfolio. Overall trading activity when compared to previous years, has remained relatively low. This was the result of core holdings in the energy space performing very well and your Company's activity in the sector was largely limited to taking profits in existing stakes, for example in Lukoil, our largest single stock position, where price appreciation repeatedly drove

the weighting in the portfolio close to the 12% single stock limit. In contrast, we believe that Central European refiners have found it difficult to pass rising input costs on to end consumers, justifying our decision to remain un-invested.

The increase in geopolitical tensions has justified a heightened risk premium, especially in Russia where Western sanctions continue taking their toll on economy activity and Foreign Direct Investment. We do, however, see a continuation of the gradual recovery in the Russian economy, as indicated by credit expansion, increasing profit margins and rising discretionary consumption. In response to this we have added to our position in the leading social network and e-commerce company Mail.Ru, search engine and Uber Taxi joint venture Yandex and supermarket X5. We also invested in Moscow Exchange, as we believe the rising interest rates will benefit the company's margins and see promising long term growth areas such as the company's data vending and clearing house businesses.

Our investments in the Turkish equity market have remained underweight relative to the benchmark for the majority of the year as we have found more attractive bottom-up opportunities elsewhere in region. Following the actions taken by Turkish policy makers to stabilise the economy and instil confidence, the decision was made to allocate more funds to the Turkish market while exiting positions which would be negatively impacted to our expectation of a recessionary environment in Turkey. Here we exited our investment in the bank which in our view, has the weakest capital position, namely Yapi Kredi. We also added to companies that can withstand inflationary pressure such as mobile telecoms market leader Turkcell. Having suffered from an indiscriminate sell off as investors feared financial stress, we considered valuation levels very attractive and took the view that the company's superior market position and the substantial cash needs of its competitors will enable Turkcell to defend margins in a high inflation environment.

In Central Europe we decided to sell our stake in the low cost airline Wizz Air as it reached our price target and increased our exposure to the leading Polish insurer PZU. The company's acquisition strategy has increased its influence over the Polish banking sector and has provided the insurer with access to new distribution channels in an environment of rising demand for non-life and health insurance products. Amongst Emerging European technology companies, we took profits and rotated out of one of the star performers of the year, the software integrator and IT solution provider EPAM placing the proceeds into peer Luxoft. Here the company's shrinking business activity within its tier-1 investment banking business has led market participants to an

Report of the Investment Manager (continued)

overly pessimistic assessment of its future growth opportunities, in our view. The Company's engagement in the extended geographical mandate of the Middle East, North Africa and Sub-Saharan Africa remains limited, as we have found significant investment opportunities within our core markets. Currently the Kuwaiti education provider Human Soft represents the region's sole contribution to the portfolio.

The Company has made use of a gearing facility of up to 10% of NAV for the entire year, as part of its strategy to increase returns. While rising interest rates have increased the overall cost of the facility we consider the attractive valuation, earnings growth outlook and underlying dividend yield of Emerging European Equity markets an adequate opportunity set to successfully support the employment of our gearing strategy.

Outlook

2018 was a testing year for Global Emerging market investors as markets had to grapple with challenges old and new. Emerging European stock markets in particular were confronted with rising political and policy risks, such as the impact of the US sanctions on the Russian economy and stock market, concerns over adequate monetary policy in Turkey, or the increasing concern of EU institutions over independence of the legal system and the overall rule of law in Emerging European member states. Against this backdrop, investors could be forgiven for not registering any of the various positive developments on the corporate but also political level that can impact earnings growth potential and stock market performance going forward.

Aided by excellent Russian earnings performance, profit margins for Emerging European companies have continued to improve and we see potential for this trend to remain intact in the future as the sectors such as finance, retailing, telecommunication, utilities are positioned to be supported by the ongoing investment into growth and efficiency as well as a more supportive political and fiscal backdrop in many countries.

As Emerging European countries find themselves at different stages of the economic cycle, we consider a synchronised growth downturn as relatively unlikely. This should also allow investors to benefit from diversification effects. This was exhibited in 2018 where we saw Russian oil stocks deliver substantial outperformance over global peers, supporting the Company's NAV to an extent that four out of the top five stocks of the portfolio are Russian energy companies. The majority of these companies trade at or near all-time highs, standing in stark contrast to the recessionary environment within Turkey.

On a similar note, dividend generation has increased driven by increasing earnings, thereby supporting internally generated

resources to fund future growth. Dividend yields on Emerging European markets are substantially higher than in other geographies mostly owing to the attractive valuation levels of stock indices in Russia, Turkey and the new EU member states.

In terms of growth, we note the substantial opportunities we see in the consumer space, export industries and social media/the internet. Rising household income levels, a well-educated, highly efficient workforce and investment into infrastructure lay the foundation for sustainable growth and the attraction of foreign investment.

We acknowledge the potential challenges posed by the prevailing economic policy and political risks. However, we are encouraged by the fact that Emerging European economies remain deeply committed to free market economics. Going forward, we believe that preserving a favourable investment climate, a prerequisite to rising growth potential, remains an important priority to all governments within the region.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Investment Manager (continued)

Investment Portfolio

The Company's investment portfolio at 30 September 2018, is set out in the following table:

	Holding	Primary country of listing or investment	Market value £000	% of investment portfolio
1	Lukoil Holdings	Russia	13,152	12.14*
2	Sberbank	Russia	9,611	8.87
3	Novatek	Russia	9,206	8.50
4	Gazprom	Russia	5,739	5.30
5	AO Tatneft	Russia	5,500	5.08
6	PZU	Poland	4,676	4.32
7	PKO Bank Polski	Poland	4,165	3.84
8	X5 Retail Group	Russia	3,931	3.63
9	KGHM Polska Miedz	Poland	3,860	3.56
10	Mail.Ru	Russia	3,687	3.40
11	OTP Bank	Hungary	3,596	3.32
12	Turkcell Iletisim Hizmetleri	Turkey	3,555	3.28
13	Garanti Bank	Turkey	3,238	2.99
14	Santander Bank Polska	Poland	3,127	2.89
15	Alrosa	Russia	3,104	2.87
16	Yandex	Russia	3,005	2.77
17	CCC	Poland	2,729	2.52
18	Globaltrans	Russia	2,278	2.10
19	National Bank of Greece	Greece	1,993	1.84
20	Moscow Exchange	Russia	1,954	1.80
21	Bank Pekao	Poland	1,934	1.79
22	BCA Transilvania	Romania	1,565	1.44
23	Luxoft	Russia	1,546	1.43
24	Detsky Mir	Russia	1,456	1.34
25	Bim Birlesik Magazalar	Turkey	1,446	1.34
26	TCS	Russia	1,439	1.33
27	AK Bank	Turkey	1,257	1.16
28	Kofola Cekoslovensko	Czechia Republic	1,227	1.13
29	LSR	Russia	1,215	1.12
30	MHP	Ukraine	1,100	1.02
31	Pipe Metallurgical (TMK)	Russia	1,082	1.00
32	MD Medical	Russia	1,021	0.94
33	Human Soft	Kuwait	945	0.87
34	Societatea Comerciala	Romania	930	0.86
35	Sphera Franchise	Romania	880	0.81
36	Epam Systems	Belarus	634	0.59
37	Koc Holdings	Turkey	607	0.56
38	Coca Cola Icecek	Turkey	605	0.56
39	Ulker Biskuvi Sanayi	Turkey	588	0.54

Report of the Investment Manager (continued)

	Holding	Primary country of listing or investment	Market value £000	% of investment portfolio
40	Vostok New Ventures	Russia	557	0.51
41	Global Ports	Russia	422	0.39
42	DP Eurasia	Turkey and Russia	220	0.20
43	Norilsk Nickel	Russia	43	0.04
	Total investments		114,825	105.99
	Net current liabilities		(6,492)	(5.99)
	Net assets		108,333	100.00

Review of Top Ten Holdings at 30 September 2018

Holding	Sector	Market value £000	% of investment portfolio	End weighting relative to comparator benchmark	Comment
Lukoil	Energy	13,152	12.14*	Overweight	High yielding Russian oil stock with potential for further dividend growth.
Sberbank	Financials	9,611	8.87	Overweight	Russia's largest bank, successful implementation of modernisation strategy offers scope for further improvement of profitability.
Novatek	Energy	9,206	8.50	Overweight	Largest independent gas producer in Russia. Liquefied Natural Gas strategy provides significant growth potential.
Gazprom	Energy	5,739	5.30	Underweight	Russian oil and gas producer.
Tatneft	Energy	5,500	5.08	Underweight	Local energy champion in the Russian independent Republic of Tatarstan. Strong cash flows allow for high dividend payout ratios and pursuit of downstream growth strategy.
PZU	Financials	4,676	4.32	Overweight	Largest Polish insurer. Its capital base allows for substantial dividend payout ratios. Enlarging client base via strategic stakes in Polish banking sector.
PKO Bank Polski	Financials	4,165	3.84	Overweight	Largest Polish bank. Benefits from sector consolidation and broad depositor base.
X5 Retail Group	Consumer Staples	3,931	3.63	Overweight	One of the leading Russian supermarket chains, benefitting from expansion and consumption growth.
KGHM Polska Miedz	Materials	3,860	3.56	Overweight	Largest European copper miner. Core Polish operations' efficiency improving.
Mail.Ru Group	Information Technology	3,687	3.40	Overweight	Russia-based Internet company operating an integrated communications and entertainment platform which includes a social network and online games. E-commerce growth strategy via Alibaba Russia joint venture.
			58.64		

Baring Fund Managers Limited
22 November 2018

*Passive breach of the Company's Investment Policy, due to a one-day substantial outperformance. This was rectified on the next trading day by the sale of a portion of the holding.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Corporate Review

The Strategic Report on pages 2 to 24 of the Annual Report and Accounts has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to provide information to the shareholders of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

Dividend Policy

The Company will at least maintain a dividend policy where realised reserves are available.

Dividend

The Board recommends a final dividend of 20 pence per share. Subject to approval of the Annual General Meeting (the "AGM"), the recommended annual dividend will be paid on 15 February 2019 to shareholders on the register at the close of business on 11 January 2019. The shares will be marked ex-dividend on 10 January 2019.

The Discount Control Mechanism and Buyback Programme

As outlined on page 3 the Company set out a discount management target in 2013. In 2017, the Board completed a tender offer.

The NAV as at the Calculation Date for the tender offer (24 January 2017) was 806.28 pence per share. Accordingly, the tender price was 784.18 pence per share, being 97.5% of the NAV (after accounting for the costs of the Tender Offer) as at the Calculation Date.

On 27 January 2017 the Company announced that a total of 1,585,858 shares, representing approximately 10% of the Company's issued share capital (excluding any shares held in treasury), had been successfully tendered.

During the year ended 30 September 2018, 893,935 shares were repurchased at a cost of £6,578,000 (2,358,233 shares were repurchased (including the Tender Offer) during the year ended 30 September 2017 at a cost of £17,972,000). Any shares repurchased were cancelled.

During the period from 1 October 2017 to the year ended 30 September 2018 the average discount was 12.64% (2017: 13.40%).

Continuing Appointment of the Alternative Investment Fund Manager

Investment performance is reviewed at each regular Board meeting at which representatives of the AIFM and Investment Manager are required to provide answers to any questions raised by the Board. The Board conducts an annual formal review of the AIFM, 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.

As at the date of this Report, the Board are of the opinion that the continuing appointment of the AIFM, on the terms agreed, is in the best interests of the Company. The Board believes that the AIFM has served the Company well both in terms of management of the investment portfolio and general support.

Corporate Review (continued)

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the “Going Concern” provision. The Board conducted this review for a period of three years, which was selected because it was considered to be a reasonable time horizon given that the Company invests in Emerging markets, which may be more volatile than developed markets. The Board also regularly considers the strategic position of the Company including investor demand for the Company’s shares and a three year period is considered to be a reasonable time horizon for this.

The Directors’ have carried out a robust assessment of the Company’s principal risks and its current position. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are detailed on pages 8 and 9. As the Company’s portfolio consists of shares which are listed on regulated markets, many of which are highly liquid, funds can be raised to meet the Company’s liabilities as they fall due. The Company has no long term debt. At 30 September 2018, the Company had drawn down US\$12 million from its loan facility with State Street Bank and Trust Company as a result of which the Company’s portfolio was 5.99% geared. This exposure does increase risk but is carefully monitored by the Board and in any event is limited to 10% of gross assets. The interest cost of the loan is covered 19 times by the revenue surplus. On the basis of the current portfolio yield, the Directors expect the Company to continue to generate a revenue surplus.

Based on the above assessment the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over the three year period to December 2021.

This Strategic Report has been approved by the Board and signed on its behalf by:

Frances Daley

Chairman

22 November 2018

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Board of Directors



FRANCES DALEY FCA, MCSI – Chairman and Nomination Committee Chairman

Frances Daley qualified as a Chartered Accountant with a predecessor firm to EY and spent nine 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 Chair of James Allen's Girls' School and a non-executive director of Henderson Opportunities Trust PLC and Regional REIT Limited. She was appointed to the Board on 29 April 2014.



CALUM THOMSON FCA – Non-Executive Director and Audit Committee Chairman

Calum Thomson is a Chartered Accountant with over 25 years' experience in the financial services industry. For over 21 years, he was an audit partner at Deloitte LLP, specialising in the asset management sector, with clients including a wide range of managers, investment trusts, banks, sovereign wealth funds, large charities and private equity funds. During his career he has led Deloitte LLP's global and UK asset management groups. He is also a non-executive director and audit committee chairman of The Diverse Income Trust plc, British Empire Trust plc, Standard Life Private Equity Trust plc and BLME Holdings plc, a UK regulated bank. He was appointed to the Board on 21 September 2017.



NADYA WELLS – Non-Executive Director and Senior Independent Director

Nadya Wells has over 20 years Emerging and frontier markets experience as a long-term investor and governance specialist. Latterly she spent 13 years with the Capital Group until 2014, as a portfolio manager and analyst with a focus on EMEA markets. Prior to that she was a portfolio manager at Invesco Asset Management investing in Eastern Europe in closed end funds until 1999. She started her career with EY in management consulting. She is also an independent non-executive director on the Supervisory Board of Sberbank of Russia where she sits on audit, risk and strategy committees, a non-executive director of Eastnine AB in Sweden and of responsAbility Investments AG in Switzerland. She has an MBA from INSEAD, an MA from Oxford University and an MSc from the University of Geneva. She was appointed to the Board on 23 September 2015.



JONATHAN WOOLLETT – Non-Executive Director

Jonathan Woollett is the founding partner of Acoro Capital Partners LLP, an investment partnership. He has over 20 years of experience in the region as a director at the European Bank for Reconstruction and Development and prior to EBRD, a director at Credit Suisse Asset Management and CS First Boston. Prior to Credit Suisse, he worked for UBS, having started his banking career with Deutsche Bank in 1979. He was appointed a Director on 23 July 2008.



IVO COULSON MCSI – Non-Executive Director

Ivo Coulson has over 30 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. He has sat on the board of a number of private and public companies over the last 30 years. He was appointed a Director on 29 September 2010.

Report of the Directors

The Directors of the Company are pleased to present their Report and the Audited Financial Statements of the Company for the year ended 30 September 2018.

In accordance with the Listing Rules and the Disclosure, Guidance and Transparency Rules, the reports within the Corporate Governance section of the Annual Report and Financial Statements should be read in conjunction with one another, and the Strategic Report. As permitted, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 2 to 24) as the Board considers them to be of strategic importance.

Status

The Company is registered as a public limited company under the Companies Act and as an investment trust company under Section 833 Of the Companies Act 2006. It is a member of the Association of Investment Companies ("AIC").

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 not a close company for taxation purposes.

The Company is managed by external parties in respect of investment management, custodial services and the day-to-day accounting and company secretarial requirements.

Directors

The Directors in office at the date of this Report and the dates of their appointment are shown on page 25, together with their full biographies. Steven Bates retired as Chairman and non-executive director of the Company on 16 January 2018.

Ivo Coulson tendered his resignation as a Director of the Company on 30 November 2018. Jonathan Woollett has indicated his intention to retire from the Board at the forthcoming AGM. The Nomination Committee initiated a search for replacement Board members, with the assistance of an independent external executive search agency. The Nomination Committee have recommended, and the Board will approve the appointment of Christopher Granville to the Board with effect from 30 November 2018. The Nomination Committee continues its search process for a further Board member.

In accordance with the policy adopted by the Board, all the Directors, with the exception of Ivo Coulson and Jonathan Woollett, will retire and seek re-election at the Company's forthcoming AGM. Christopher Granville will seek election at the AGM.

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.

Indemnity of Directors

Pursuant to the Articles and pursuant to the Companies Act, the Directors are indemnified against any liability. There are no other qualifying third-party indemnity provisions in place. In addition, the Company has procured Directors' and Officers' liability insurance.

Diversity

The Board of Directors of the Company comprises of three males and two females.

The Board adopted a Diversity Policy in November 2018. The Board recognises the importance and benefits of improving the gender balance of the Board and the Board does not consider that it would be appropriate to set diversity targets as all Board appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Directors (continued)

Share Capital

As at 30 September 2018, the Company's total issued share capital was 13,135,044 ordinary shares (30 September 2017: 14,028,979), of which the Company held 3,318,207 ordinary shares 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. All shares repurchased during the year were cancelled. All of the Company's ordinary shares are listed on the premium listing segment of the London Stock Exchange and each ordinary share carries one vote.

The rights attached to the Company's shares are set out in the Company's Articles of Association. The Company's ordinary shares are freely transferable. However, the Director may refuse to register a transfer of shares which are not fully paid nor where the instrument of transfer is not duly stamped or shown to be exempt from stamp duty. The Directors may also decline to register a transfer of an uncertificated share in the circumstances set out in the uncertificated securities rules, and where the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Amendments of the Company's Articles of Association and the giving of authority to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders.

There are no restrictions on voting for the holders of ordinary shares, who are entitled to attend and vote at a shareholder meeting.

Purchase of Own Shares

At last year's AGM, the Directors were authorised to make market purchase of up to 14.99% of each of the Company's ordinary shares, amounting to 2,075,401 shares. Since the AGM held on 16 January 2018, the Company brought back 653,982 ordinary shares with a nominal value of 0.10 pence per share, and at a total cost of £4,678,000 under this authority. As at 30 September 2018, the remaining authority for the purchase of own shares is 1,421,419 shares. A total of 3,318,207 ordinary shares are held in treasury, representing 20.3% of the issued share capital at 21 November 2018.

Substantial Shareholdings

Information on major interests in shares provided to the Company under the Disclosure, Guidance and Transparency Rules of the UK Listing Authority is published via a Regulatory Information Service.

The Company has received notification of the following disclosable interests in the voting rights of the Company:

Shareholder	At 30 September 2018	
	Number of ordinary shares notified	% Interest in share capital
City of London Investment Management Company Limited	2,700,123	16.41%
Lazard Asset Management LLC, New York, United States of America	1,096,747	6.7%
City of Bradford Metropolitan District Council	925,158	5.6%

The Company has not been informed of any changes to the notifiable interests between 30 September 2018 and the date of this Report.

Corporate Governance

The statement of Corporate Governance, as shown on pages 30 to 41, forms part of this report by reference. The Directors have prepared a statement on how the principles and recommendations of the AIC Corporate Governance Code have been applied. This statement may be found on pages 31 to 37 and forms part of this report by reference.

Report of the Directors (continued)

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.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to disclose specific information in a single identifiable section of the Annual Report. The Directors confirm that there are no disclosures to be made under the Listing Rule 9.8.4.

Socially Responsible Investment

The Board has delegated the investment management function to the AIFM. Its primary objective is to produce superior financial returns for 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

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.

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 allow 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 63, voting rights are summarised on page 77, 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 27;
- the Company does not have an employees' share scheme;
- the rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- there exist no agreements to which the Company is party 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 AIFM takes into account these considerations when making investment decisions and determines its voting instructions at investee company meetings accordingly.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Report of the Directors (continued)

Financial Risk Management

The principal financial risks and the Company's policies for managing these risks are set out in note 18 to the financial statements.

Auditor

The Company's Auditor, KPMG LLP, has indicated its willingness to continue in office. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the Independent Auditors. Resolutions for the re-appointment of KPMG LLP and to authorise the Board to determine its remuneration will be proposed at the AGM.

Audit Information

The Directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant information which the Company's auditor is unaware; and each Director has taken all reasonable steps that she or he ought to have taken as a Directors to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The AGM will be held on Thursday, 10 January 2019 at 2.30pm at the new offices of the Investment Manager (20 Old Bailey, London EC4M 7BF). The formal notice of the AGM is set out on pages 74 and 75. Separate resolutions are proposed for each substantive issue.

A full explanation of the resolutions being proposed at the AGM may be found on pages 79 and 80. A proxy form has been enclosed with this Report. For future meetings, we will be removing paper proxies in favour of online voting via our registrars website.

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, as those Directors who hold shares in the Company intend to do so.

By order of the Board

Link Company Matters Limited

Secretary

22 November 2018

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 sets out the principles of corporate governance that the Board has applied to the affairs of the Company and their compliance with the code of Corporate Governance that they have chosen to adopt.

The Listing Rules and the Disclosure Guidance and Transparency Rules ("Disclosure Rules") of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject.

As a member of the Association of Investment Companies ("AIC"), the Board has agreed to comply with the AIC Code of Corporate Governance (the "AIC Code"), published in July 2016, by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide") published by the AIC in July 2016, except as set out below. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules. Details of the Company's compliance with the AIC Code is set out within this statement.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC website at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

The Directors recognise the value of the AIC Code and believe that reporting against the principles and recommendations of the AIC Code, and by reference the AIC Guide will provide shareholders with better information. Accordingly, the Company has taken appropriate measures to ensure that the Company complies with the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive Directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the Company's position, being an externally managed investment company. In particular, all of the Company's day-to-day functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported on these provisions.

AIC Corporate Governance Review

The Board is committed to high standards of corporate governance and seeks to observe the principles identified in the Code and 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.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Statement of Corporate Governance (continued)

The Principles of the AIC Code

The AIC Code is made up of 21 principles split into three sections, covering:

1. The Board;
2. Board Meetings and the relationship with the Investment Manager; and
3. Shareholder Communications.

AIC Code Principle	Compliance Statement
1. The Chairman should be independent	<p>The Chairman, Frances Daley, was independent of the AIFM at the time of her appointment and remains so. The Chairman has not been employed by the AIFM in the five-years prior to her appointment, nor did she act as advisor to the Investment Manager in that period and she does not hold any other directorship of an investment company managed by the Investment Manager.</p> <p>There is a clear division of responsibility between the Chairman, the Directors, the AIFM and the Company's other third-party service providers.</p> <p>The AIC Code recommends that the Board should appoint one of the independent Directors as a Senior Independent Director. The Senior Independent Director is available to shareholders for communication as well as providing a sounding board for the Chairman and review the performance of the Chairman.</p> <p>The Board has appointed Nadya Wells as the Senior Independent Director</p>
2. The independence of Directors	<p>The Board consists of five Independent Non-Executive Directors, each of whom is independent from the AIFM. No member of the Board is a director of another investment company managed by the AIFM, nor has any Board member been an employee of the Company, the AIFM or any of its service providers.</p> <p>The independence of the Directors is important to the Company in maintaining good governance. The independence of each Director is assessed as part of the annual evaluation process by the remaining members of the Board. Having assessed the performance and independence of the Directors being re-elected, the Board is satisfied that these Directors, bring strong independent oversight and continue to demonstrate independence in judgement and character. A recommendation will be made that shareholders vote in favour of their re-election at the forthcoming AGM.</p>
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but based on disclosed procedures and continued satisfactory performance	<p>All Directors submit themselves for annual re-election by shareholders at the Company's AGM.</p> <p>The individual performance of each Director is evaluated annually by the remaining members of the Board. The whole Board, apart from the Chairman herself, evaluated the performance of the Chairman.</p> <p>Following this year's evaluation, the Board concluded that it had the necessary balance of skills, expertise, independence and knowledge required to direct the Company at this time. The appointment of Christopher Granville will positively contribute to the structure of the Board.</p> <p>The recommendations made to shareholders to vote, at the forthcoming AGM, are in favour of the re-election of those Directors seeking re-election and that of the election of Christopher Granville.</p>

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
<p>4. The Board should have a policy on tenure, which is disclosable in the annual report</p>	<p>The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, there is no limit on the overall length of service of any of the Directors or the Chairman. The Board will consider an individual Director's experience and continuity of Board membership on a case-by-case basis.</p>
<p>5. There should be full disclosure of information about the Board</p>	<p>The biographical details for each Director are set out on page 25 of this Report and demonstrate the wide range of skills, knowledge and experience they bring to the Board.</p> <p>Details of the Board's Committees and their composition are set out on page 39 of this Report.</p> <p>The Audit Committee report is set out on pages 43 to 46 of this Report. The Audit Committee membership comprises all the Non-Executive Directors, all of whom are considered independent. The Chairman is a member of the Audit Committee but does not chair it.</p> <p>The Board considers that due to its size and that as it is comprised of Non-Executive Directors, it is not necessary to establish a separate remuneration committee. The entire Board fulfils the role of the remuneration committee. Further information on Director remuneration is set out in the Director's Remuneration Report on pages 47 to 49.</p> <p>The Nomination Committee report is set out on page 42 of this Report. The Nomination Committee membership comprises all the Non-Executive Directors.</p> <p>Formal terms of reference for these committee are available on the Company's website: https://www.barings.com/funds/closed-end_funds/baring-emerging-europe-plc</p> <p>The terms and conditions of the Director's appointments are set out in Letters of Appointment, which are available for inspection on request at the registered office of the Company and at the AGM.</p>
<p>6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company</p>	<p>The Company has a Nomination Committee which is responsible to ensure through timely succession planning the Board has a balance of skills, experience, length of service and knowledge of the Company.</p> <p>The experience, skills and knowledge of the current Directors is detailed in the biographies of the Directors, set out on page 25 of this Report.</p> <p>The Board believes that diversity of experience and approach amongst board members is of great importance. It has agreed that while the benefits of diversity, including gender, will be taken into account in respect of Board appointments, the overriding priority should be appointment on merit, therefore no measurable targets in relation to Board diversity will currently be set.</p> <p>Please refer to the Nomination Committee Report.</p>

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
<p>7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors</p>	<p>It is the Board's policy to evaluate the performance of the Board, Board Committees and individual Directors through an assessment process on an annual basis. The independence of each Director is also considered as part of this process.</p> <p>The performance of the Chairman is evaluated by the other Directors on an annual basis.</p> <p>The Board carried out an evaluation of performance during 2018 by way of questionnaires specifically designed to assess the strengths and weakness of the Board and its Committees. The questionnaires were completed by each Director and the assessment covers the functioning of the Board as a whole and a similar review of the effectiveness of the Board Committees and the individual performance of the Directors is undertaken. The performance of the Chairman was also evaluated by way of questionnaires.</p> <p>The Board is satisfied that the current structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.</p> <p>A skills audit of the Board was conducted by the Nomination Committee as the first step in the search of suitable candidates. When considering new appointments, the Board will consider this skills matrix and seek to add persons with complimentary skills or who possess skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively.</p> <p>The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognise the value of diversity in the composition of the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the Company will ensure that a diverse group of candidates is considered.</p>
<p>8. Director remuneration should reflect their duties, responsibilities and the value of their time spent</p>	<p>Details on the Directors' remuneration is contained in the Director's Remuneration Report on pages 47 to 49 of this Report.</p> <p>The Nomination Committee annually reviews the fees paid to the Directors (and will compare these with its peer group and the investment trust industry generally), taking into account the level of commitment and responsibility of each Board member.</p> <p>All of the Directors are non-executive and the Chairman is independent from the AIFM. Since the year-end, the Board has approved the appointment of Nadya Wells (SID) as Chair of the Nomination Committee, however when the Committee discusses Directors' fees she is excluded from setting her own remuneration. All members of the Board are invited to attend meetings of the Nomination Committee.</p> <p>All but one of the Directors own shares in the Company, all of which were purchased in the open market and using the Directors' own resources. No stock options or other performance-rated elements have been awarded.</p> <p>On appointment, Christopher Granville and any other appointee will be paid a fee of £25,000 per annum.</p>

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
<p>9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report</p>	<p>The Company utilises a separate Nomination Committee.</p> <p>The Nomination Committee, which is comprised of the whole Board, all of which are independent Non-Executive Directors, would be expected to lead the process of the appointment of any new Director to the Board. All members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking re-election at the AGM.</p> <p>Please refer to the Nomination Committee Report on page 42 in respect of the process for the appointment of Christopher Granville.</p>
<p>10. Directors should be offered relevant training and induction</p>	<p>New Directors receive a full induction pack containing key information and governance documents from the Company Secretary when they are appointed. They will also be given key information on the Company's regulatory and statutory requirements as they arise.</p> <p>In addition, they will be offered a tailored induction programme with the AIFM, which covers the investment portfolio and the Investment Manager's approach to investment.</p> <p>All Directors will continue to receive periodic relevant training and updates as necessary from the Company Secretary, legal advisors and other service providers to enhance and refresh their knowledge.</p> <p>The annual board evaluation process provides Directors with an opportunity to identify any training or development requirements.</p> <p>The Directors have access to the advice and services of the Company Secretary through its appointed representative.</p>
<p>11. The Chairman (and the Board) should be brought into the process of structuring a new launch as soon at an early stage</p>	<p>Principle 11 applies to the launch of new investment companies and is, therefore, not applicable to the Company.</p>
<p>12. Boards and managers should operate in a supportive, co-operative and open environment</p>	<p>The Board meets regularly throughout the year and representatives of the Investment Manager are in attendance. These formal Board meetings provide important forums for the Directors and key members of the Investment Manager's team to interact and for Directors to receive reports and provide challenge to the Investment Manager. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.</p> <p>Interaction between the Board and the Investment Manager is not restricted to Board meetings. Between meetings the Investment Manager updates the Board on developments and respond to queries and requests by Directors as they arise.</p>

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues	<p>At each meeting, the Board receives a report on the performance of the Company's portfolio from the Investment Manager.</p> <p>The Board, at its regular meetings, undertakes reviews of key investments and financial data, factor risk analysis and macro sensitivity, regional and sector allocations, geopolitical and economic trends in Emerging Europe, share price and net asset value performance. It also reviews marketing and shareholder communication strategies.</p> <p>The Board is responsible for establishing the investment objective, strategy and benchmark, the permitted types or categories of investments and the level of permitted gearing and borrowings. The Alternative Investment Fund Management Agreement with the AIFM sets out restrictions on the activities of the Investment Manager.</p> <p>The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information and through the Company Secretary ensures that each service provider reports to the Board as required.</p>
14. Boards should give sufficient attention to overall strategy	<p>The Board is responsible for the strategy of the Company and monitors performance against its agreed strategy on an ongoing basis.</p> <p>The Board has agreed that it would meet once a year to focus exclusively on strategy and any other issues that require in-depth attention.</p>
15. The Board should regularly review both the performance of, and contractual arrangements with, the manager	<p>The Board meets regularly to review the overall performance of the Investment Manager and considers both the appropriateness of the Investment Manager's appointment and the contractual arrangements (including the structure and level of remuneration) with the Investment Manager, as well as other contractual arrangements. The Board considers the quality, cost and remuneration method of service provided by the Investment Manager against its contractual obligations.</p> <p>Following the annual review, the Board concluded, that, in its opinion, the continuing appointment of the Investment Manager, on the terms agreed were in the best interests of its shareholders as a whole.</p> <p>Since the year-end, the Board has established a Management and Engagement Committee ("MEC"), chaired by Nadya Wells, the SID, which would be responsible for carrying out a review of the overall performance of the Investment Manager and other third-party service providers of the Company. The MEC comprises the entire Board.</p> <p>The Audit Committee reviews the Investment Manager's compliance and control systems in operation insofar as they relate to the affairs of the Company.</p> <p>The Audit Committee further reviews the arrangements with, and the services provided by the Custodian, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.</p>

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
<p>16. The Board should agree policies with the manager covering key operational issues</p>	<p>The AIFM has delegated the portfolio management to the Investment Manager.</p> <p>The Alternative Investment Fund Management Agreement between the Company and the AIFM sets out the limits of the Investment Manager's authority.</p> <p>Representatives of the Investment Manager attend each meeting of the Board to address questions on operational issues and specific matters.</p> <p>The Board has retained responsibility for matters such as Board membership and gearing.</p> <p>The Board delegates investee company communication to the Investment Manager. The Board has also delegated discretion to the Investment Manager to exercise voting powers on its behalf, other than for contentious or sensitive matters, which are to be referred to the Board.</p>
<p>17. Board should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it</p>	<p>The Company's share price is monitored continually by the AIFM on a daily basis and is considered at each Board meeting.</p> <p>At each Board meeting, the Board considers the discount to NAV and reviews the changes in the level of discount and in the share price since the previous Board meeting and over the longer term.</p>
<p>18. The Board should monitor and evaluate other service providers</p>	<p>The Audit Committee monitors the performance and systems and controls employed by the third-party service providers. The Board reviews the performance and cost of the Company's third-party service providers considers if a provider should be replaced.</p> <p>Since the year-end, the Board has established a Management and Engagement Committee, which will be responsible for monitoring the performance of third-party service providers.</p>
<p>19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's view to Shareholders</p>	<p>The Board believes that the maintenance of good relations with its shareholders is important for the long-term prospects of the Company. The AGM is the Company's principal forum for communication with shareholders and Directors are available to answer shareholders' questions at the Meeting.</p> <p>The Board receives feedback on the views of shareholders from its corporate broker. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Chairman also meets regularly with large shareholders.</p> <p>Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the Registered Office address.</p> <p>The Notice of Meeting sets out the business of the meeting. Matthias Siller will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming AGM. The Directors welcome the views of all shareholders.</p>

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues if the Asset Manager or Investment Manager is asked to act as spokesperson.	All substantive communications regarding any major corporate matters are discussed by the Board taking into account representations from as appropriate, the Auditor, Legal Advisers, the Broker and Company Secretary. Formal Board approval of any substantive communication is required.
21. The Board should ensure that Shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding the Shares	<p>The Board aims to provide Shareholders with a full understanding of the Company's investment objective, policy and activities, its performance and the principal risks by means of the Annual Report and Half-Year Reports.</p> <p>The Board believes that sufficient information is available to Shareholders to understand the risk: reward balance to which they are exposed by holding Shares in the Company. The publication of the Key Information Document, on the Company's website, which is prepared by the AIFM provides the nature and key risks of the Company to Shareholders.</p> <p>Details of the Principal Risks and their mitigation are set out on pages 8 and 9.</p> <p>The Investment Objective and Policy is set out on page 6.</p> <p>The performance of the Company and that of the AIFM is discussed in the Chairman's Statement on pages 3 to 5 and the Investment Manager's Report on pages 10 and 11. The performance of the AIFM is considered on an annual basis by the Board. Details of the Board's review of the performance by the AIFM are set out on page 23.</p> <p>Details of the Fees payable to the AIFM are set out on page 1.</p> <p>The ongoing charge is disclosed on page 2.</p> <p>The going concern and viability statements of the Company are set out on pages 28 and 24 respectively.</p> <p>A full list of the portfolio of the Company is shown on pages 21 and 22</p> <p>There is a formal set of matters reserved for decision by the Board which, together with the terms of the Alternative Investment Fund Management Agreement limits the decision making of the AIFM.</p> <p>Details of the Company's borrowings are set out on page 7 and in the notes to the financial statements. Details of the Company's banking covenants are disclosed in note 16.</p>

Statement of Corporate Governance (continued)

The Board

The Board consists entirely of Non-Executive Directors and has no employees. The Board currently consists of five Directors, two of whom are female and the other three are male. It is chaired by Frances Daley.

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 Directors meet at regular Board meetings, which are scheduled in advance and additional meetings and telephone meetings are arranged as necessary. Directors' attendance at Board and Committee meetings during the year was as follows:

	Scheduled Board Meetings		Scheduled Audit Committee Meetings		Scheduled Nomination Committee Meetings	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Steven Bates*	2	2	1	1	0	0
Frances Daley	4	4	3	3	2	2
Jonathan Woollett	4	4	3	3	2	2
Ivo Coulson	4	4	3	3	2	2
Nadya Wells	4	4	3	3	2	2
Calum Thomson	4	4	3	3	2	2

*Steven Bates resigned on 16 January 2018.

Additional ad-hoc Board meetings were held during the year as required. Specifically, the Board met to review the implications of the US Government sanctions imposed on EN+ Group, a holding in the Company's portfolio. It also met to approve the appointment of Link Company Matters Limited as the Company Secretary of the Company in place of Mike Nokes, who retired. A further Board meeting was held to approve the reduction of the loan facility with State Street Bank and Trust Company to \$12million.

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 AIFM 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 AIFM attend most of the Board meetings, enabling Directors to probe further or seek clarification on matters of concern. A sub committee of the Board undertook a trip to Russia in March 2018 to meet with some of the investee companies with representatives of the Investment Manager.

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

Chairman and Senior Independent Director

The Chairman of the Company is a Non-Executive Director. Since the year-end, Nadya Wells has been appointed as the Senior Independent Director by the Board.

Performance Evaluation

The effectiveness of the Board, the Chairman, the Committees and individual Directors during the year was undertaken by way of questionnaires specifically designed to assess the strengths and weaknesses of the Board and its Committees. The questionnaires were completed by each Director and the assessment covered the functioning of the Board as a whole and a similar review of the effectiveness of the Chairman, Board Committees and the individual performance of the Directors.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Statement of Corporate Governance (continued)

The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. The results of the Board evaluation process were reviewed and discussed by the Board as a whole.

As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company. The Board further concluded that the Chairman remained independent and her performance was satisfactory, with strong leadership capability.

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.

Board Committees

The Board had two Committees in operation during the reporting period, and has delegated certain responsibilities to its Audit Committee and its Nomination Committee. The Board has established formal terms of reference for each of the Committees which are available on the Company's website

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. Functions normally carried out by a remuneration committee are dealt with by the whole Board, all Directors are non-executive. Matters which would fall under a management engagement committee are carried out by the Board as a whole.

The Directors' Remuneration policy and Directors' fees are detailed in the Directors' Remuneration report on page 48.

Audit Committee

The Directors have appointed an Audit Committee consisting of the whole Board and is chaired by Calum Thomson. 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). The Audit Committee Report can be found on pages 43 to 46.

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. The Nomination Committee Report can be found on page 42.

Since the year-end, a Management and Engagement Committee has been established.

Risk Management and Internal Controls

The 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.

Statement of Corporate Governance (continued)

The Audit Committee has 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 Audit Committee reviews annually whether an internal audit function is required. Alternative investment fund management services are provided by Barings and details of the agreement with the AIFM are given in note 3 to the accounts.

The Depositary is State Street Trustees Limited and the Custodian is State Street Bank & Trust Company. Administration services are provided by Northern Trust Global Services Limited. Secretarial services are provided by Link Company Matters Limited.

Regular risk assessments and reviews of internal controls are undertaken in the context of the Company's overall investment objective by the Board, through the Audit Committee.

The Audit Committee maintains a risk matrix, which identifies the risks to the Company and details the controls in place to mitigate those risks. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. The risk matrix is updated when new risks are identified.

As part of the risk review process, regular reports are received from the AIFM 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.

Most functions for the day-to-day management of the Company are sub-contracted, and the Directors therefore obtain regular assurances and information from key third-party suppliers regarding the internal systems and controls operated in their organisations. In addition, each of the material third party is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit Committee.

These processes were in place during the year and was in place at the date of the signing of this Report.

The principal risks that have been identified by the Board are set out on pages 8 and 9.

Relations with Shareholders

The Board regularly reviews the AIFM'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 AGM 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 AIFM attends to give a presentation to the meeting. A quarterly newsletter is produced by the AIFM and is available to shareholders.

If a shareholder would like to contact the Board directly, he or she should write to the Chairman at Beaufort House, 51 New North Road, Exeter EX4 4EP and mark their letter, private and confidential.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting in respect of its investee companies to its AIFM. The AIFM have in turn delegated this responsibility to the Investment Manager.

The Investment Manager engages a proxy voting service provider ("Service Provider") responsible for processing and maintaining records of proxy votes. In addition, the Service Provider will retain the services of an independent third party research provider ("Research Provider") to provide research and recommendations on proxies.

The Investment Manager recognises that there may be times when it is in the best interests to vote in whole or in part against the Research Provider's recommendations or Guidelines. If in such case, the Investment Manager wishes to vote against the Research Provider's recommendations or Guidelines the documented rationale must be submitted to the appropriate governance group at the Investment Manager for approval.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Statement of Corporate Governance (continued)

The Investment Manager retains the right not to vote a proxy in such circumstances as follows:

- The cost of voting a proxy for a foreign security outweighs the expected benefit, so long as refraining from voting does not materially harm the Company;
- The Investment Manager is not given enough time to process the vote (i.e. receives a meeting notice and proxy from the issuer too late to permit voting);
- The Company may hold shares on a company's record date, but sells them prior to the investee's meeting date;
- The investee has participated in share blocking, which would prohibit the Investment Manager's ability to trade or loan shares for a period of time;
- The Investment Manager has outstanding sell orders on a particular security and the decision to refrain from voting may be made in order to facilitate such sale; or
- The underlying securities have been lent out pursuant to a security lending program.

This is a non-inclusive list of examples. The Investment Manager will supply the Company with the voting record for the most recent twelve-month period ending 30 June for those proxies it has voted on behalf of the Company.

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."

By order of the Board

Frances Daley

Chairman

22 November 2018

Nomination Committee Report

I am pleased to present the Nomination Committee Report for the year ended 30 September 2018.

This has been a busy year for the Committee with the retirement of Ivo Coulson on 30 November 2018 and Jonathan Woollett's pending retirement at the forthcoming AGM. The Committee's activities covered a review of directors capabilities, skills and experience, all essential elements for the Committee's consideration in its search for replacement directors.

On behalf of the Board, I would like to thank Ivo and Jonathan for their significant contributions during their tenures.

Composition and Role of the Nomination Committee

The Nomination Committee comprises myself, as Chairman, and the entire Board, all being independent Directors.

Clearly defined Terms of Reference have been established and agreed the Board. The primary responsibilities of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board;
- to give full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- to identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to review the results of the Board performance evaluation process that relate to the composition of the Board;
- to review annually the time required from non-Executive Directors; and
- to review any proposed changes to the remuneration of the Directors of the Company.

The Committee reviews annually the succession plan for the Board. Suitably qualified external search consultants assist in the search process for all new Board appointees.

Activities During the Year

The Committee conducted a formal, rigorous and transparent process to identify new appointees during the year under review. This process involved the appointment of an independent qualified external search consultant to assist in providing a thorough, independent and objective assessment of a comprehensive range of candidates. Prior to initiating this search, the consultant was provided with a comprehensive briefing as to the skills, knowledge and experience required and, from this, a list of potential candidates was identified. Following a series of interviews involving a number of directors, a short-list of candidates from various backgrounds and industries was presented to the Nomination Committee and a final recommendation made by it to the Board for approval. The Committee focussed on ensuring that the Board's composition was strong and cohesive.

The Committee recommended the appointment of Christopher Granville to the Board. It continues to lead the search for a further appointee.

The Committee keeps the composition of the Board under review to monitor the continuing independence of the Non-Executive Directors, to identify any gaps in skills or experience so that appropriate training can be arranged, and to inform the succession plan for future Board appointments.

The Committee will continue to make recommendations for new appointments to the Board based on merit, with candidates measured against objective criteria and with regard to the skills and experience they would bring to the Board

During the year, the Committee met twice during the year and twice post the year-end.

The Committee recommended, and the Board approved the appointment of Nadya Wells, the newly appointed SID, as Chairman of the Committee post the year-end.

Frances Daley

Chairman of the Nomination Committee

22 November 2018

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 30 September 2018.

The Audit Committee met on three occasions during the year ended 30 September 2018 and twice post the year end. At these meetings, the Audit Committee has reviewed the Interim Report in detail and after several amendments, recommended its approval to the Board. The Audit Committee considered the controls reports received from the Company's third-party service providers, including the Custodian, Depository and Administrator to ensure relevant controls were in place throughout the period under review. The Audit Chairman challenged the scope of the internal control reports of the Custodian and Administrator.

The Audit Committee met in November 2018 on two occasions to review the financial statements and received the report from the external Auditor. After detailed discussions at each meeting the financial statements were recommended for approval to the Board. At the same meetings, the Audit Committee reviewed the going concern and viability statements.

Composition and Role of the Audit Committee

The Audit Committee comprises the entire Board. The Committee members collectively have a broad range of financial, commercial, investment and emerging Europe sector experience. Two members of the Committee, one being myself, are qualified Chartered Accountants. I am satisfied that the Committee members, individually and collectively, are independent and appropriately experienced.

Clearly defined Terms of Reference have been established and agreed the Board. The primary responsibilities of the Audit Committee are:

- to monitor the integrity of the financial statements, the financial reporting process and the accounting policies of the Company;
- to review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides shareholders with sufficient information to assess the Company's performance, business model and strategy;
- to report to the Board on any significant financial reporting issue and judgments having regard to any matters communicated to it by the Auditor;
- to review the effectiveness of the internal control environment of the Company and risk managements systems;
- review the Company's risk register, including significant and emerging risks;
- to manage the relationship with the Company's external Auditor, including reviewing the Auditor's remuneration, independence and performance and make recommendations to the Board as appropriate;
- to review the Auditor's independence and objectivity and the effectiveness of the audit process; and
- to regularly review the need for an internal audit function.

The Audit Committee also review the whistleblowing procedures of the Company's third-party service providers.

The Audit Committee has direct access to the Company's auditor, KMPG LLP and representatives of the Auditor attend an Audit Committee meeting at least once a year. The Audit Committee also meet with the external Auditor at least once during year without the presence of the Investment Manager and Administrator.

Risk Matters Considered by the Audit Committee

The valuation and existence of quoted investments within the portfolio is a significant risk factor. 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. During the year and at the year-end there were no matters brought to light which called 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 58 at the year-end, the Committee agreed that the fair value of quoted investments is the bid market price.

Audit Committee Report (continued)

In 2018, the United States Government imposed sanctions on Oleg Deripaska, who held a large stake in EN+. The sanctions adversely affected the market for the Company's holding in EN+. The Audit Committee considered recommendations from the pricing committee of the Investment Manager and obtained legal advice from its lawyers. On the recommendation from the Audit Committee, the Board agreed to reduce the fair value of the EN+ holding in the portfolio down to zero. The situation will be monitored closely until these sanctions have been lifted or eased, we understand that both EN+ and financial market participants are working on routes to a return to liquidity.

The Audit Committee has also been receiving regular reporting from the Investment Manager in respect of the liquidity of the portfolio, in particular investments in Russia and Turkey.

One of the significant risks the Committee spend time reviewing is the risk that the investments included in the portfolio are not physically owned by the Company. Like all services performed by the Company we rely on third party service providers to ensure controls are in place and the Company uses the services of an independent Custodian to hold the assets of the Company. The investment portfolio is reconciled regularly by the Administrator to the Custodian's records and this reconciliation is also reviewed by the external Auditor. The Company has also appointed a Depositary whose responsibilities include monitoring the controls operated by the Custodian and overseeing the safekeeping of the Company's assets. The Committee meets with the Depositary regularly, principally to review their work and their oversight of the controls at the Custodian.

The Committee reviews the annual report as a whole and makes recommendations to the Board in particular to confirm that it is fair, balanced and understandable.

Other Matters Considered by the Audit Committee in the year

The Audit Committee considered the allocation of the investment management fee and agreed that in order to better reflect the Company's long term aim of enhancing capital growth it would be more appropriate to allocate the investment management fee and finance costs 80% to capital and 20% to income rather than 50% to each which has been applied in prior periods. This was agreed by the Board.

The General Data Protection Regulation ("GDPR") came in to effect on 25 May 2018. The implementation of GDPR provides for greater data privacy. While the risk to the Company is deemed to be low, the impact of fines should they occur could be significant. The Directors are satisfied that all necessary steps have been taken to prevent any breach of GDPR, including ensuring that all third-party service providers have appropriate GDPR policies in place. Confirmation from key service providers to gain this comfort was obtained.

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.

In addition to the matters included above the Audit Committee has:

- reviewed the revenue forecast and analyses prepared by the Administrator, in order to make a recommendation on the semi-annual and final dividend;
- agreed the audit plan, including the principal areas of focus and agreed the audit fee with the Auditor;
- reviewed and updated the Company's risk matrix;
- reviewed the internal controls and risk management systems of the Company and its third-party service providers;
- reviewed the cybersecurity controls of the Company's Administrator, Custodian and Depositary as presented to the Committee; and
- met with the Investment Manager to discuss and challenge the valuation and existence of unquoted and quoted investments and to review the liquidity of the portfolio.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Audit Committee Report (continued)

Internal Controls and Risk

The Board has ultimate responsibility for the management of risk and the Company's systems of internal control. The Board, through the Audit Committee has established an ongoing process for identifying, evaluating and managing risks. The Audit Committee has exercised its management of financial, operational and compliance risks and of overall risk by relying on regular reports on performance attribution and other management information provide by the Investment Manager and other third-party suppliers. The Audit Committee reviews annual reports from the AIFM, the Depositary, the Registrar, Administrator and the Custodian on their internal controls and their operation. These reports are designed to provide details of the internal control procedures operated by the relevant entity and typically include a report by an independent reporting accountant.

The Audit Committee 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.

The Board receives a quarterly report on internal control and compliance with AIFMD from the Investment Manager's Compliance Officer.

Audit

The Audit Committee monitors and reviews the effectiveness of the external audit process for the Annual Report, including a detailed review of the audit plan and the audit results report, and make recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor.

The Committee has discussed the findings of the FRC's recent 2018 Audit Quality Report on the quality of audits performed by KPMG and has satisfied itself that none of the shortcomings identified are materially relevant to the audit of the Company.

The Audit Committee meets at least twice a year with the Auditor. The Audit Committee has an opportunity to discuss and if necessary, challenge any aspect of the Auditor's work with the Auditor, or also attended the year-end Audit Committee meeting in November 2018 and presented a report on the audit findings which did not include any significant issues in relation to the financial statements.

Independence and Objectivity of the Auditor

KPMG LLP have been the Auditor since the launch of the Company in 2002 and during this time the audit has not been put out to tender. The audit partner of the Company has been rotated since the Auditor's initial appointment. Rotating the Audit Partner provides a fresh perspective on the audit responsibilities for the Company. The Audit Committee regularly considers the need to put the audit out to tender, its fees and independence, together with any matters raised during the audit. In accordance with the new requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the accounting period beginning 1 October 2023.

Ravi Lamba, the current Audit Partner, has served for a tenure of three years and the Company will review the continued appointment after he has served for five years.

The Audit Committee has reviewed the effectiveness of the Auditor including: independence; the quality of the audit work including the ability to resolve issues in a timely manner, its communication with the Company; and the quality of people and services.

The Audit Committee has satisfied itself that the Auditor remains independent and objective.

Audit Fees and Non-Audit Services

An audit fee of £31,500 (exclusive of VAT) has been agreed in respect of the audit for the year ended 30 September 2018 (2017: £30,600).

All proposed non-audit services must be notified to the Audit committee, who consider any such proposal before engagement in order to maintain auditor independence and objectivity. No non-audit fees were paid to KPMG LLP in the year.

Audit Committee Report (continued)

Re-appointment of Auditor

Following consideration of the performance of the Auditor, its experience in the investment trust sector, the service provided during the year and a review of auditor independence and objectivity, the Audit Committee has recommended to the Board the re-appointment of KPMG LLP as Auditor to the Company. A resolution for their re-appointment will be proposed at the forthcoming AGM.

Tax Services

The Company has appointed BDO LLP to provide certain tax compliance services.

Internal Audit

The Audit Committee has determined that there is no need for an internal audit function as it delegates most of its operations to third parties and does not employ any staff. The Audit Committee considers annually whether there is any need for an internal audit function, and it has agreed that it is appropriate for the Company to rely on the controls which exist within its third-party providers.

The Company does not have a whistleblowing policy and procedure in place. It delegates its main functions to third-party providers who have such policies in place and the Audit Committee understands that these policies meet the industry standards.

Committee Effectiveness

During the year, the Board carried out an internally facilitated evaluation of its performance and that of its Committees. The evaluation confirmed that the Audit Committee continued to operate at a high standard.

Financial Statements

In finalising the financial statements for recommendation to the Board for approval the Committee has concluded that the going concern principle is appropriate. 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.

Calum Thomson

Chairman of the Audit Committee
22 November 2018

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Directors' Remuneration Report

for the year ended 30 September 2018

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

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 Law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 51-54.

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2018.

It is not considered appropriate for the Company to have a separate Remuneration Committee. The functions of such Committee are, therefore, carried out by the Board as a whole, at its discretion within an aggregate ceiling of £175,000 per annum. Each Director abstains from voting on their own individual remuneration.

As the Company has no employees and the Board is comprised solely of Non-Executive Directors' we have not, therefore, reported on those aspects of remuneration that relate to executive Directors.

Companies are required to ask shareholders to approve the annual remuneration report, which includes the annual remuneration paid to Directors, each year and to formally approve the Directors' Remuneration Policy on a three-yearly basis. Any change to the Directors' Remuneration Policy requires shareholders approval. The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote.

A resolution to approve the Directors' Remuneration Policy was proposed and approved by shareholders at the AGM on the Company held on 24 January 2017. Accordingly, the Company's Policy will be put to shareholders' vote at the Company's 2020 AGM.

A resolution to approve this Remuneration Report will be proposed at the Company's AGM to be held on 10 January 2019.

During the year, the Board carried out a review of the level of fees in accordance with the Remuneration Policy. As a result of this review there was no increase in Directors' fees.

There will be no significant changes in the way that the approved Remuneration Policy will be implemented during the course of the next financial year.

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.

The Company does not provide pension benefits, rights to any bonuses, share options or long-term incentive schemes or performance-related payments for Directors.

Recruitment Remuneration

Fees for any new Director appointed will be made on the above basis. Fees payable in respect of subsequent years will be determined following an annual review. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

Directors' Remuneration Report (continued)

Directors' Emoluments for the Year (audited)

The Directors who served during the year received the following emoluments:

	Fees Paid (£)	
	2018 £000	2017 £000
Steven Bates (<i>retired on 16 January 2018</i>)	9.8	33.0
Frances Daley	31.5	27.5
Calum Thomson (<i>appointed 21 September 2017</i>)	27.6	–
Ivo Coulson	25.0	25.0
Nadya Wells	25.0	25.0
Jonathan Woollett	25.0	25.0
Total	143.9	135.5

Directors' Beneficial Interests

The beneficial interests of the Directors of the Company are set out in the below table.

Director	At 30 September 2018	
	Number of Ordinary Shares	% Interest in Share Capital
Frances Daley	6,000	0.036%
Nadya Wells	–	–
Calum Thomson	5,764	0.035%
Jonathan Woollett	3,000	0.018%
Ivo Coulson	2,000	0.012%

There have been no changes to the number of shares held by the Directors since the year-end and the date of this Report.

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 2018 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 2018 £000	Year ended 30 September 2017 £000	Change £000
Aggregate Directors' emoluments plus expenses	144	136	8
Aggregate shareholder distributions in respect of the year	4,574	4,513	61

Statement of Voting at the Annual General Meeting

The Directors' Remuneration policy was approved at the AGM of the Company held on 24 January 2017 and the Directors' Remuneration report for the year ended 30 September 2017 was approved by shareholders at the AGM held on 16 January 2018.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Directors' Remuneration Report (continued)

This resolution was passed on a show of hands. The votes cast by proxy were as follows:

REMUNERATION REPORT	Number of Votes	% of Votes Cast
For	6,624,082	98.95%
Against	60,220	0.90%
At Chairman's discretion	10,190	0.15%
Total Votes Cast	6,694,492	–
Withheld	5,234	–

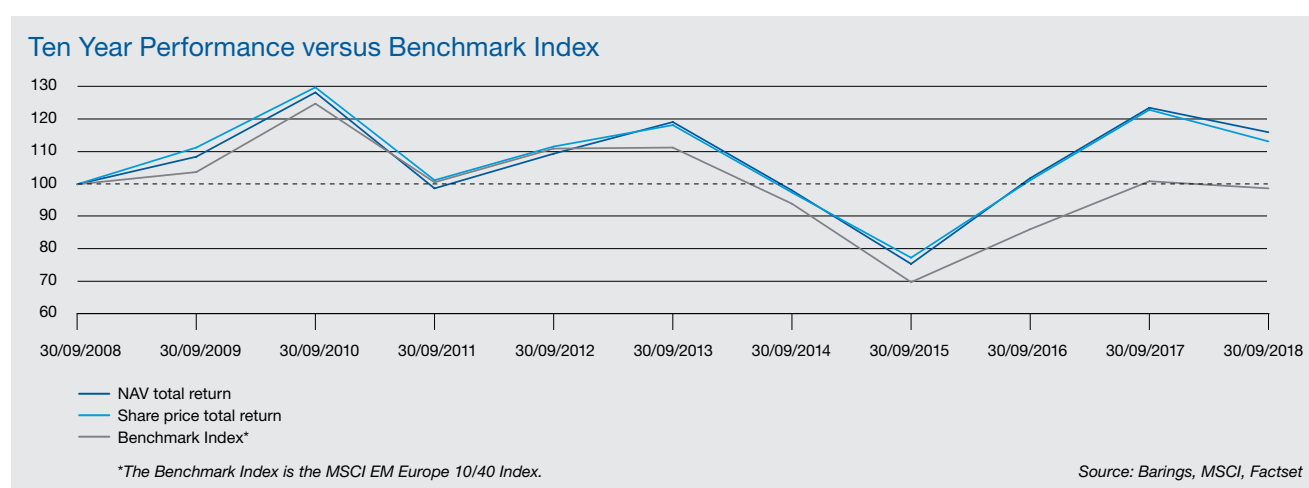
REMUNERATION POLICY	Number of Votes	% of Votes Cast
For	7,528,491	99.64%
Against	16,975	0.22%
At Chairman's discretion	10,359	0.14%
Total Votes Cast	7,555,825	–
Withheld	10,433	–

Directors' Service Contracts

No Director has a service contract with the Company. Each Director has entered into terms of appointment as a Non-executive Director of the Company. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Share Price Performance (not audited)

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



Approval

The Directors Remuneration Report was approved by the Board of Directors on 22 November 2018 and signed on its behalf by:

Frances Daley

Chairman

22 November 2018

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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Company's website: www.barings.com, which is maintained by the Investment Manager. The maintenance and integrity of the website maintained by the Investment Manager is, so far as it relates to the Company, the responsibility of the Investment Manager. 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

Each of the Directors, whose names are listed on page 25, confirm to the best of each person's knowledge:

- the Financial Statements prepared in accordance with applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Frances Daley

Chairman

22 November 2018

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Independent Auditor's Report

to the shareholders of Baring Emerging Europe PLC

1. Our opinion is unmodified

We have audited the financial statements of Baring Emerging Europe plc ("the Company") for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 September 2018 and of its Income statement for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Board of Directors prior to 2002. The period of total uninterrupted engagement is for the 17 financial years ended 30 September 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Carrying amount of quoted equity investments £114.8m (2017: £131.2m)

Refer to pages 43 to 46 (Audit Committee Report), page 58 (accounting policy) and pages 55-69 (financial disclosures).

The Risk

The Company's portfolio of quoted investments makes up 100% (2017: 98%) of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a 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.

Independent Auditor's Report (continued)

Our Response

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

- **Tests of detail:** Agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and
- **Inquiry of Custodians:** Agreeing 100% of investment holdings in the portfolio to independently received third party confirmations from investment Custodians.

Our Results

We found the resulting carrying amount of quoted equity investments to be acceptable.

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

Materiality for the financial statements as a whole was set at £1.179m (2017: £1.337m), determined with reference to a benchmark of total assets, of which, it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £58,000 (2017: £67,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Administrator's offices in London.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' Statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 28 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Independent Auditor's Report (continued)

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of Principal Risks and Longer-Term Viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Strategic Report page 8 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures (pages 8 and 9) describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate Governance Disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
- we have not identified material misstatements therein; and
- the information therein is consistent with the financial statements; and

In our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

Independent Auditor's Report (continued)

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' Responsibilities

As explained more fully in their statement set out on page 50, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Ravi Lamba (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

22 November 2018

Income Statement

(incorporating the Revenue Account*) for the year ended 30 September 2018

Notes	Year ended 30 September 2018			Year ended 30 September 2017			
	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	–	(6,112)	(6,112)	–	25,502	25,502
Income	2	5,036	–	5,036	5,146	–	5,146
Investment management fee	3	(185)	(750)	(935)	(476)	(476)	(952)
Other expenses	4	(836)	–	(836)	(765)	–	(765)
Return on ordinary activities		4,015	(6,862)	(2,847)	3,905	25,026	28,931
Finance costs	5	(62)	(247)	(309)	(129)	(129)	(258)
Return on ordinary activities before taxation		3,953	(7,109)	(3,156)	3,776	24,897	28,673
Taxation	6	(565)	–	(565)	(482)	–	(482)
Return for the year		3,388	(7,109)	(3,721)	3,294	24,897	28,191
Return per ordinary share	8	24.77p	(51.98)p	(27.21)p	22.31p	168.65p	190.96p

*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 58 to 69 form part of these accounts.

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

There is no other comprehensive income and therefore the return for the year is also the total comprehensive income for the year.

Statement of Financial Position

as at 30 September 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Investments at fair value through profit or loss	9	114,825	131,220
Current assets			
Debtors	10	1,460	1,679
Cash and cash equivalents		1,706	762
		3,166	2,441
Current liabilities			
Creditors: amounts falling due within one year	11	(9,658)	(10,488)
Net current liabilities			
		(6,492)	(8,047)
Net assets			
		108,333	123,173
Capital and reserves			
Called-up share capital	12	1,646	1,735
Share premium account		1,411	1,411
Redemption reserve		3,142	3,053
Capital reserve		97,697	111,384
Revenue reserve		4,437	5,590
Total Shareholders' funds			
		108,333	123,173
Net asset value per share			
	13	824.76p	877.99p

The financial statements on pages 55-69 were approved by the Board on 22 November 2018 and signed on its behalf by:

Frances Daley

Chairman

The annexed notes on pages 58 to 69 form part of these accounts.

Company registration number 4560726

Statement of Changes in Equity

for the year ended 30 September 2018

	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 2018						
Beginning of year	1,735	1,411	3,053	111,384	5,590	123,173
Return for the year	-	-	-	(7,109)	3,388	(3,721)
Buyback of own shares for cancellation	-	-	-	(6,578)	-	(6,578)
Transfer to capital redemption reserve	(89)	-	89	-	-	-
Dividends paid	-	-	-	-	(4,541)	(4,541)
Balance at 30 September 2018	1,646	1,411	3,142	97,697	4,437	108,333
For the year ended 30 September 2017						
Beginning of year	1,971	1,411	2,817	104,459	7,792	118,450
Return for the year	-	-	-	24,897	3,294	28,191
Buyback of own shares for cancellation	-	-	-	(17,682)	-	(17,682)
Transfer to capital redemption reserve	(236)	-	236	-	-	-
Tender offer costs	-	-	-	(290)	-	(290)
Dividends paid	-	-	-	-	(5,496)	(5,496)
Balance at 30 September 2017	1,735	1,411	3,053	111,384	5,590	123,173

The annexed notes on pages 58 to 69 form part of these accounts.

Distributable reserves comprise: the revenue reserve and capital reserves attributable to realised profits.

The split between realised and unrealised capital reserves is provided in note 14.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve.

Notes to the Accounts

for the year ended 30 September 2018

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

The financial statements have been prepared in accordance with the applicable UK Accounting Standards, being FRS 102 – The Financial Reporting Standard – and with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” (issued in November 2014 and updated in January 2017).

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all investments are highly liquid and are carried at market value, and where a statement of changes in assets as defined in FRS 102 section 7.

The Directors have decided that in order to better reflect the Company’s long term aim of enhancing capital growth it would be more appropriate to allocate the investment management fee and finance costs 80% to capital and 20% to income rather than 50% to each which has been applied in prior years.

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Directors consider that the Company has adequate resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Company’s financial statements.

(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 (continued)

1. Accounting policies (continued)

(e) Expenses

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

- the basic investment management fee is charged 20% (2017: 50%) to revenue and 80% (2017: 50%) to capital;
- 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 20% (2017: 50%) to revenue and 80% (2017: 50%) to capital.

(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 2018 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

	2018	2017
	£000	£000
Income from investments		
Overseas dividends – Quoted	5,028	5,146
Other income		
Bank interest	8	–
Total income	5,036	5,146

Notes to the Accounts (continued)

3. Investment management fee

Baring Fund Managers Limited 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 the AIFM receives a basic fee (charged 20% to revenue (2017: 50%) and 80% to capital (2017: 50%)) which is calculated monthly and payable at an annual rate of 0.8% of the Net Asset Value of the Company.

The investment management fee comprises:

	2018 £000	2017 £000
Basic fee (20% (2017: 50%) charged to revenue)	185	476
Basic fee (80% (2017: 50%) charged to capital)	750	476
	<u>935</u>	<u>952</u>

At 30 September 2018, £75,000 (30 September 2017: £86,000) of this fee remained outstanding.

4. Other expenses

	2018 £000	2017 £000
Custody and administration expenses	660	599
Auditor’s remuneration for:		
– audit	32	31
Directors’ fees	144	135
	<u>836</u>	<u>765</u>

5. Finance costs

	2018 £000	2017 £000
On short-term loan and gearing facility with State Street Bank & Trust Company repayable within 5 years, not by installments		
Bank loan interest (20% (2017: 50%) charged to revenue)	62	129
Bank loan interest (80% (2017: 50%) charged to capital)	247	129
	<u>309</u>	<u>258</u>

Notes to the Accounts (continued)

6. Taxation

(a) Current tax charge for the year:

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Overseas taxation (note 6(b))	565	–	565	482	–	482

(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:

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Return on ordinary activities before taxation	3,953	(7,109)	(3,156)	3,776	24,897	28,673
Return on ordinary activities multiplied by the standard rate of corporation tax of 19% (2017: 19.5%)	751	(1,351)	(600)	736	4,855	5,591
Effects of:						
Non taxable overseas dividends	(955)	–	(955)	(1,003)	–	(1,003)
Overseas withholding tax	565	–	565	482	–	482
Capital gains/(losses) not subject to tax	–	1,161	1,161	–	(4,973)	(4,973)
Non-trade loan relationship debts not utilised	10	47	57	25	25	50
Management expenses not utilised	194	143	337	242	93	335
Current tax charge for the year	565	–	565	482	–	482

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

The Company has an unrecognised deferred tax asset of £2,266,000 (2017: £1,389,000) based on the long term prospective corporation tax rate of 17.0% (2017: 17.0%). 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

	2018 Pence per share	2018 £000	2017 Pence per share	2017 £000
Annual dividend per ordinary share	20p	2,606	19p	2,665
Interim dividend per ordinary share	14p	1,920	13p	1,848

Notes to the Accounts (continued)

8. Return per ordinary share

	Revenue	Capital	Total 2018	Revenue	Capital	Total 2017
Return per ordinary share	24.77p	(51.98)p	(27.21)p	22.31p	168.65p	190.96p

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £3,388,000 (2017: £3,294,000).

Capital loss per ordinary share is based on net capital loss for the financial year of £(7,109,000) (2017: net capital profit of £24,897,000).

These calculations are based on the weighted average of 13,677,229 (2017: 14,762,470) ordinary shares in issue during the year.

At 30 September 2018 there were 13,135,044 ordinary shares of 10 pence each in issue (2017: 14,028,979) which excludes 3,318,207 ordinary shares held in treasury (2017: 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

Primary country of investment	Quoted overseas £000	Total 2018 £000	Quoted overseas £000	Total 2017 £000
Hungary	3,596	3,596	7,239	7,239
Czechia Republic	1,227	1,227	3,901	3,901
Poland	20,491	20,491	17,483	17,483
Russia	69,948	69,948	77,586	77,586
Turkey	11,296	11,296	14,170	14,170
Greece	1,993	1,993	3,522	3,522
Romania	3,375	3,375	4,447	4,447
Other	2,899	2,899	2,872	2,872
Total	114,825	114,825	131,220	131,220

9. (ii) Movements in the year

Book cost at beginning of year	109,045	109,045	117,902	117,902
Gains/(losses) on investments held at beginning of year	22,175	22,175	6,625	6,625
Valuation at beginning of year	131,220	131,220	124,527	124,527
Movements in year:				
Purchases at cost	47,136	47,136	51,628	51,628
Sales proceeds	(57,450)	(57,450)	(70,648)	(70,648)
Gains on investments sold in year	5,264	5,264	10,163	10,163
(Losses)/gains on investments held at year end	(11,345)	(11,345)	15,550	15,550
Valuation at end of year	114,825	114,825	131,220	131,220
Net realised gains based on historical cost	5,264	5,264	10,163	10,163
Exchange movements on foreign currency loans and cash balances	(31)	(31)	(211)	(211)
Movement in investments holdings (losses)/gains in year	(11,345)	(11,345)	15,550	15,550
(Losses)/gains on investments	(6,112)	(6,112)	25,502	25,502

Notes to the Accounts (continued)

9. (ii) Movements in the year (continued)

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 2018 amounted to £44,000 (2017: £87,000) and on sales for the year they amounted to £50,000 (2017: £114,000).

A list of the Company's investments by market value is shown on pages 21 and 22, and a geographical classification and industrial classification of the investment portfolio are shown on page 18.

10. Debtors

	2018	2017
	£000	£000
Amounts due within one year		
Amounts due from brokers	1,065	1,359
Prepayments and accrued income	377	308
Other debtors	18	12
	1,460	1,679

11. Creditors

	2018	2017
	£000	£000
Amounts falling due within one year		
Bank loans	9,202	8,944
Amounts outstanding to brokers due to the buyback of own shares	113	1,245
Other creditors	343	299
	9,658	10,488

The Company has a US\$12 million loan facility with State Street Bank and Trust Company. The amount outstanding in relation to this facility at 30 September 2018 was US\$12 million (at 30 September 2017: US\$12 million) which is repayable on 31 December 2018, interest is charged at the rate of LIBOR plus 1.25%.

12. Called-up share capital

	2018	2017
	£000	£000
Allotted, issued and fully paid up		
16,453,251 (2017: 17,347,186) ordinary shares of 10 pence (fully paid)	1,646	1,735

During the year 893,935 ordinary shares were repurchased for cancellation for £6,578,201 (2017: 2,352,233 ordinary shares were repurchased for cancellation for £17,682,000). 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 (2017: 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 107,468 shares have been repurchased for cancellation.

Notes to the Accounts (continued)

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:

	2018	2017
Total shareholders' funds (£000)	108,333	123,173
Net asset value (pence per share)	824.76p	877.99p

The net asset value per share is based on total shareholders' funds above, and on 13,135,044 ordinary shares in issue at the year end (2017: 14,028,979 ordinary shares in issue) which excludes 3,318,207 ordinary shares held in treasury (2017: 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. Capital reserve

	Capital reserve		
	Realised gains/(losses) on sale of investments £000	Unrealised investment holdings gains/(losses) £000	Total £000
At 1 October 2017	90,512	20,872	111,384
Net gains on disposal of investments	5,264	–	5,264
Repurchase of share costs	(6,578)	–	(6,578)
Net movement in unrealised appreciation of investments	–	(11,345)	(11,345)
Losses on foreign exchange	221	(252)	(31)
Management fees charged to capital	(750)	–	(750)
Finance charges charged to capital	(247)	–	(247)
At 30 September 2018	88,422	9,275	97,697

	Capital reserve		
	Realised gains/(losses) on sale of investments £000	Unrealised investment holdings gains/(losses) £000	Total £000
At 1 October 2016	98,926	5,533	104,459
Net gains on disposal of investments	10,163	–	10,163
Repurchase of share costs	(17,972)	–	(17,972)
Net movement in unrealised appreciation of investments	–	15,550	15,550
Losses on foreign exchange	–	(211)	(211)
Management fees charged to capital	(476)	–	(476)
Finance charges charged to capital	(129)	–	(129)
At 30 September 2017	90,512	20,872	111,384

15. Financial commitments

At 30 September 2018, there were no outstanding capital commitments (2017: £nil).

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Notes to the Accounts (continued)

16. Custodian's lien

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

17. Related party disclosures and transactions with the Alternative Investment Fund Manager

The Company is required to provide additional information concerning its relationship with the Alternative Investment Fund Manager, and details of the investment management fee charged by Baring Fund Managers Limited ("AIFM") are set out in note 3. The ultimate holding company of the AIFM is Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, MA 01111-0001. Fees paid to the Directors and full details of Directors' interests are disclosed in the Directors' Remuneration Report on page 48.

18. 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 1. 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 pages 8 and 9. 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 2017. The Company's AIFM 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

Most 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 AIFM 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.

Notes to the Accounts (continued)

18. Risk management policies and procedures (continued)

(b) Currency risk (continued)

Foreign currency exposures

At 30 September 2018 monetary assets included cash balances totalling £1,706,322 (2017: £761,741) that were held in US Dollars.

At 30 September 2018 monetary liabilities included a bank loan totalling £9,202,100 (2017: £8,944,211) that was due in US Dollars.

At 30 September 2018 and at 30 September 2017 all of the equity investments were priced in a foreign currency.

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:

	2018 £000	2017 £000
Income statement – profit after taxation:		
Revenue return – increase	336	355
Capital return – increase	11,483	13,122
Total	<u>11,819</u>	<u>13,477</u>

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

	2018 £000	2017 £000
Income statement – profit after taxation:		
Revenue return – decrease	(336)	(355)
Capital return – decrease	(11,483)	(13,122)
Total	<u>(11,819)</u>	<u>(13,477)</u>

Impact on capital return is disclosed in note 18 (d).

(c) Interest rate risk

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

Cash at bank at 30 September 2018 (and 30 September 2017) was held at floating interesting rates, linked to current short-term market rates.

Interest rate movements may affect the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when borrowing under the bank loan facility.

Notes to the Accounts (continued)

18. Risk management policies and procedures (continued)

(c) Interest rate risk (continued)

Interest rate exposure

The exposure at 30 September 2018 of financial assets and financial liabilities to floating interest rates is shown below:

	2018 Total (within one year) £000	2017 Total (within one year) £000
Exposure to floating interest rates:		
Cash at bank	1,706	762
Creditors:		
Borrowings under bank loan facility	(9,202)	(8,944)
	(7,496)	(8,182)

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through its bank loan facility.

Due to the insignificant impact of fluctuations in interest rates no sensitivity analysis is shown.

(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 AIFM 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 Investment Manager's Report on pages 16 and 18.

Notes to the Accounts (continued)

18. Risk management policies and procedures (continued)

(d) Other price risk (continued)

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 2018 £000	Decrease in fair value 2018 £000	Increase in fair value 2017 £000	Decrease in fair value 2017 £000
Income statement – profit after taxation:				
Capital return – increase/(decrease)	11,483	(11,483)	13,122	(13,122)
Total profit after taxation other than arising from interest rate or currency risk – increase/(decrease)	11,483	(11,483)	13,122	(13,122)
Equity	11,483	(11,483)	13,122	(13,122)

(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 Company has a bank loan facility of US\$12 million of which £9,202,100 (2017: £8,944,211) was drawn down at 30 September 2018.

Liquidity risk exposure

The contractual maturities of the financial liabilities at 30 September 2018, based on the earliest date on which payment can be required were as follows:

	2018 Total (due within one year) £000	2017 Total (due within one year) £000
Bank loan	9,202	8,944
Other creditors and accruals	456	1,544
	9,658	10,488

The Board gives guidance to the AIFM as to the maximum amount of the Company's resources that should be invested in any one holding.

Notes to the Accounts (continued)

18. Risk management policies and procedures (continued)

(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 AIFM, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings.

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

(g) Fair values of financial assets and liabilities

Financial assets and liabilities are either carried in the balance sheet at their fair value (investments), 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 fair value hierarchy.

	Level 1	Total
	£000	£000
Financial assets at fair value through profit or loss at 30 September 2018:		
Equity investments	114,825	114,825
Total	114,825	114,825

	Level 1	Total
	£000	£000
Financial assets at fair value through profit or loss at 30 September 2017:		
Equity investments	131,220	131,220
Total	131,220	131,220

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 2018).
- 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 2018).

The valuation techniques used by the Company are explained in the accounting policies note on page 58.

19. Subsequent events

There are no significant events after the year end of reporting period requiring disclosure.

The Alternative Investment Fund Manager & AIFMD Disclosures (unaudited)

The Alternative Investment Fund Manager

Baring Fund Managers Limited (the "AIFM"), authorised by the Financial Conduct Authority as an Alternative Investment Fund Manager, under the Alternative Investment Fund Managers Directive ("AIFMD"), is the appointed AIFM to the Company.

AIFMD Disclosures

Pre-investment Disclosures

The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFD. Those disclosures that are required to be made pre-investment can be found on the Company's website www.barings.com under the prospectus and literature heading, the document is titled "Pre-investment disclosures", dated September 2016. There have been no material changes to the disclosures contained within the document since publication in July 2015.

Leverage Disclosure

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing cash or securities, or leverage embedded in contracts for difference or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the Gross Methodology and the Commitment Methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage ratios of the Company calculated on a Gross Basis was 106% and on a Commitment Basis was 109% as at 30 September 2018.

Remuneration Disclosure

The Investment Manager's Remuneration Policy ensures that the remuneration arrangements of AIFMD remuneration "Code Staff" as defined in "ESMA's Guidelines on Sound Remuneration Policy under AIFMD, ESMA 2013/201" (the "ESMA Guidelines"), (as amended) are:

- (i) consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the Investment Manager or the Fund; and
- (ii) consistent with the Investment Manager's business strategy, objectives, values and interests and includes measures to avoid conflicts of interest.

The Investment Manager is also subject to the FCA's AIFM Remuneration Code (SYSC 19B). An AIFM firm must comply with the AIFMD remuneration principles in a way and to the extent that is appropriate to its size and business.

Remuneration Committee

Due to the size and nature of the AIFM, the Board of Directors of the AIFM (the "Manager Board") considers it appropriate to dis-apply the requirement to appoint a remuneration committee.

The AIFM forms part of the Barings Europe Limited (UK) group of companies ("Barings"). Barings has appointed two remuneration committees to take remuneration decisions, namely the Remunerations Committee and the Senior Compensation Committee.

The remuneration committees ensure the fair and proportionate application of the remuneration rules and requirements and to ensure that potential conflicts arising from remuneration are managed and mitigated appropriately.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

The Alternative Investment Fund Manager & AIFMD Disclosures (continued)

AIFMD Remuneration Code Staff

The AIFM must determine its Code Staff, whose professional activities have a material impact on its risk profile. Code Staff consists of staff whose professional activities have a material impact on the risk profiles of the AIFM or the Fund, which includes senior managers, controlled functions and risk takers.

a) Senior Managers and Controlled Functions

The AIFM Board currently comprises of three directors (the "AIFM Directors"). The AIFM Directors have waived their entitlement to receive a director's fee from the AIFM.

The AIFM has no employees and therefore there are no other controlled functions or senior management employed by the AIFM.

b) Risk Takers

Risk takers as defined by the AIFM's Remuneration Policy are as follows:

- i. The Permanent Risk Management Function ("PRMF"): The AIFM's PRMF is comprised of an Organisational Risk team and an Investment Risk team. The individuals who discharge these functions are Code staff and are remunerated by the Investment Manager. Their remuneration is not directly linked to the performance of the Company.
- ii. Portfolio Managers: The AIFM has delegated investment management to the Investment Manager and accordingly the Portfolio Managers are remunerated by the Investment Manager under an equivalent remuneration regime (the Investment Manager and its subsidiaries are subject to remuneration rules contained in the Capital Requirements Directive ("CRD") and these are considered to be equally as effective as those contained in the AIFMD).

Remuneration Disclosure: Baring Emerging Europe Plc

The table below summarises the fixed and variable remuneration paid to AIFMD Remuneration Code Staff as well as other Barings' staff (remunerated by the Investment Manager) that carry out activities for the AIFM, for the AIFM's financial year ending 31 December 2017. The disclosures below show remuneration relevant to the Company, apportioned using the Investment Manager's group total Assets Under Management ("AUM").

AIF Level	Number of beneficiaries	Total Fixed Remuneration for the period	Total Variable Remuneration for the period	Total Remuneration
AIFM Staff	328	£237,648	£450,763	£688,411
Code Staff	6	£135,968	£361,377	£497,345

Notes:

1. AIFM staff: this assumes all UK staff employed by the Investment Manager carry out some activities on behalf of the AIFM. Remuneration is apportioned based on an AUM basis. Other than the Code Staff noted above, none of the staff are considered to be senior managers or others whose actions may have a material impact on the risk profile of the Fund.
2. Code staff: These are as defined in the Investment Manager's Remuneration Policy; no direct payments are received by Code Staff from the AIFM. Remuneration is paid by the Investment Manager and is apportioned on an AUM basis.
3. Variable remuneration consists of cash bonus and deferred awards awarded in the period.
4. The Company does not pay either performance related fees or carried interests to any person.

Glossary

We assess our performance using a variety of measures that are not specifically defined under FRS and therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies.

Net Asset Value or NAV

The value of total assets less current liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share. NAV divided by number of ordinary shares in issue at the year-end (see note 13 on page 64).

Discount

Discount is the amount by which the ordinary share price is lower than the net asset value per ordinary share. The discount is normally expressed as a percentage of the net asset value per share. NAV minus share price divided by NAV.

If the share price of an investment trust is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount/premium is shown on page 2. The Board monitors the level of discount or premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share buy-backs, where appropriate.

Return Per Share

Return per share is calculated using the net return on ordinary activities after finance costs and taxation divided by the weighted average number of shares in issue for the financial year (see note 8, page 62). The Directors also regard return per share to be a key indicator of performance.

Total Return

Total return is the increase/(decrease) in NAV per share plus the dividends paid, which are assumed to be reinvested at the time the share price is quoted ex-dividend.

Risk-Adjusted Returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return.

Ongoing Charges

The ongoing charges represent the ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies industry standard method. Annualised ongoing charges, including those charged to capital but excluding loan interest, incurred by the Company, divided by the average NAV reported in the year.

Ongoing charges for the year = management fees of £935,000
+ other operating expenses of £836,000 = £1,771,000
(see notes 3 and 4, page 60).

Average daily shareholders' fund for the year = £118,175,000

$£1,771,000/£118,175,000 = 1.50\%$

Gearing

Two methods of calculating such exposure are set out in the AIFMD, gross and commitment.

Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. Investments divided by Total Shareholders' funds.

The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure. Investments plus current assets divided by Total Shareholders' funds.

Growth at a Reasonable Price or GARP Investing

GARP investing incorporates elements of growth and value investing, focusing on companies which have sustainable growth potential but do not demand a high valuation premium.

Environmental, Social and Governance or ESG

ESG (environmental, social and governance) is a term used in capital markets and used by investors to evaluate corporate behaviour and to determine the future financial performance of companies.

ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.

Comparator Benchmark

A comparative benchmark is used to measure the performance of an investment fund for the purpose of tracking relative return and defining the asset allocation or a portfolio.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Directors and Officers

Directors

Frances Daley, Chairman
Calum Thomson
Nadya Wells
Jonathan Woollett
Ivo Coulson

Registered Office

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Company Secretary

Link Company Matters Limited
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Company number

4560726

Alternative Investment Fund Manager

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Lines are open 9:00 am - 5:30 pm, Monday to Friday

Email: enquiries@linkgroup.co.uk

Website

www.bee-plc.com

Please note this should be accessed via the Barings website (www.baring.com). Please select Investment Trust.

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 and, as a result, no longer hold any shares in the Company, 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.

An explanation of the business to be transacted at the Annual General Meeting convened by this notice is set out on pages 79 and 80.

Notice is hereby given that the Annual General Meeting (the "Meeting") of the Company will be held at 20 Old Bailey, London EC4M 7BF on Thursday, 10 January 2019, at 2.30pm to consider and, if thought fit, pass the following resolutions, of which numbers 1 to 10 will be proposed as ordinary resolutions, and numbers 11 to 13 as special resolutions:

Ordinary Resolutions

1. To receive and adopt the Directors' Report and audited Accounts for the year ended 30 September 2018.
2. To receive and approve the Directors' Remuneration Report for the year ended 30 September 2018.
3. To approve a final dividend for the year ended 30 September 2018 in the sum of 20 pence per ordinary share.
4. To re-elect Frances Daley as a Director of the Company.
5. To re-elect Nadya Wells as a Director of the Company.
6. To re-elect Calum Thomson as a Director of the Company.
7. To elect Christopher Granville as a Director of the Company.
8. To re-appoint KPMG LLP as Auditor to the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the Accounts are laid before shareholders.
9. To authorise the Audit Committee to determine the remuneration of the Auditor of the Company.
10. **Authority to allot ordinary shares**

THAT, in substitution for any existing authority, the Directors of the Company be and are 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 (the "Act")) up to an aggregate nominal amount of £65,137.88, (being approximately 5% of the issued share capital of the Company as at 21 November 2018 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 Directors 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.

Special Resolutions

11. **Authority to disapply pre-emption rights on allotment of ordinary shares**
THAT subject to the passing of resolution 10 above, the Directors be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined within Section 560 of the Act) 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 Act, free of the restriction in Section 561(1) of the Act, such power to be limited:

Notice of Annual General Meeting (continued)

(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 Directors 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 10 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 Act, to the allotment or such transfer (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £65,137.88;

such power to apply until the earlier of the conclusion of the annual general meeting of the Company in 2020 or 10 July 2020, 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.

12. Authority to repurchase the Company's shares

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 1,952,833 (being approximately 14.99% of the issued share capital of the Company as at 21 November 2018 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 2020 or 10 July 2020, 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.

13. Authority to hold general meetings

THAT a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice.

By order of the Board

Link Company Matters Limited
Secretary
22 November 2018

Registered Office:
Beaufort House
51 New North Road
Exeter, Devon, EX4 4EP

Notes to the Notice of Annual General Meeting

1. A shareholder entitled to attend this meeting may attend the Meeting in person or may appoint one or more persons as his/her proxy to attend, speak and/or vote on his/her behalf. A proxy need not be a shareholder of the Company.

If multiple proxies are appointed, they must not be appointed in respect of the same shares. A form of proxy is provided with this notice. The appointment of a proxy will not prevent a shareholder from attending the Meeting and voting in person if he/she so wishes. A shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every shareholder present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder. To appoint more than one proxy, a separate form of proxy in relation to each appointment should be completed (shareholders may photocopy the form of proxy), stating clearly on each form of proxy how many ordinary shares the proxy is appointed in relation to. A failure to specify the number of ordinary shares each proxy appointment relates to or specifying an aggregate number of ordinary shares in excess of those held by the shareholder will result in the proxy appointment being invalid. Shareholders are requested to indicate on the form of proxy if the proxy instruction is one of multiple instructions being given. All forms of proxy must be signed and should be returned together in the same envelope.

2. In the case of joint holders, the signature of only one of the joint holders is required on the proxy form and, where more than one joint holder has signed the proxy form or where more than one joint holder purports to appoint a proxy, only the signature of or the appointment submitted by the most senior holder will be accepted to the exclusion of the other joint holders. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
3. Only those shareholders registered on the Register of Members of the Company by close of business on 8 January 2019 (or in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at close of business on the day which is two days prior to the adjourned meeting (weekends and public holidays excluded)) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time.

Changes to entries on the Register of Members after the specified time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting or, if adjourned, at the adjourned meeting.

4. To be valid, a form of proxy, together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, should be lodged at the office of the Company's Registrar, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, not later than 48 hours before the time of the meeting, or any adjournment thereof. The termination of the authority of a person to act as proxy must be notified to the Company in writing. Amended instructions must be received by the Company's Registrar by the deadline for receipt of proxies.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting and any adjournment of it by following the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting 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. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent ID RA10 by the latest time for receipt of proxy appointments specified in note 4 above.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company'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. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST members concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), 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 member and, where applicable, their CREST sponsors

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Notes to the Notice of Annual General Meeting (continued)

or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. 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.

6. Shareholders satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to shareholders of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those shareholders intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
7. Shareholders satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
8. Any question relevant to the business of the Annual General Meeting may be asked at the Meeting by anyone permitted to speak at the Meeting. Alternatively, questions may be submitted in advance by letter addressed to the Company Secretary at the registered office.
9. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the Meeting put by a shareholder attending the Meeting to be answered. No such answer need be given if: (a) to do so would: (i) interfere unduly with the preparation for the Meeting, or (ii) 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.
10. A 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. The statements of the rights of shareholders in relation to the appointment of proxies in notes 1 to 4 above do not apply to a nominated Person. The rights described in those notes can only be exercised by registered shareholders of the Company.
11. As at 21 November 2018, the Company's issued voting share capital and total voting rights amounted to 16,345,783 ordinary shares each carrying one vote each, of which 3,318,207 shares are held in treasury.
12. A shareholder that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with Section 323 of the Companies Act 2006, as amended. Any such representative should bring to the Meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; and if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
13. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required 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 circumstances connected with an auditor of the Company

Notes to the Notice of Annual General Meeting (continued)

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. The Annual Report incorporating this notice of Annual General Meeting, the total number of shares in the Company, the total of the voting rights that shareholders are entitled to exercise at the Meeting and, if applicable, any shareholders' statements, shareholders' resolutions or shareholders' matters of business received by the Company after the date of this notice will be available on the Company's website: www.bee-plc.com.
15. Copies of the letters of appointment of the Chairman and the Non-Executive Directors of the Company will be available for inspection at the registered office of the Company during normal business hours on any weekday (weekends and public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at Beaufort House, 51 New North Road, Exeter EX4 4EP. Copies will also be available for inspection at the Annual General Meeting for 15 minutes prior to the Meeting and throughout the Meeting

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Explanation of 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.

The AGM will be held on Thursday, 10 January 2019 at 2.30pm. The formal notice of the AGM is set out above. 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.

Election of Christopher Granville as a Director (Resolution 7)

Please see below for Christopher Granville's biography.

Formerly a British diplomat in the Political Section of the British Embassy in Moscow, Christopher is a Board Director and Managing Director of TS Lombard, an independent investment research provider formed in 2016 through the merger between Lombard Street Research, a global macroeconomic research and forecasting firm founded in the 1980s, with Trusted Sources, a research firm specialising in emerging markets that Christopher co-founded in 2006.

Previously, Christopher spent six years as chief strategist and political analyst at United Financial Group ("UFG"), a Moscow-based investment bank that was acquired by Deutsche Bank in 2006. In several surveys of fund managers conducted during this period by Institutional Investor and Thomson Extel, he was ranked No. 1 EMEA Strategist and/or Analyst on Russia. Christopher joined UFG from Fleming-UCB, where since 1995 he had held the position of managing director and head of research.

Christopher Granville is a member of the Board of Directors of EOS AB and a member of the Investment Committee of Olma Private Equity Fund.

He holds a Master's degree in modern history and modern languages from Oxford University and was a fellow of All Souls College, Oxford.

Authorities to allot shares and to disapply pre-emption rights (Resolutions 10 and 11)

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 £65,137.88 (representing 651,378 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 2018, being the latest practicable date prior to publication of the notice of meeting on pages 74 and 75 (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 11 would, if passed, give the Board the authority to allot shares (or sell any shares held in treasury) for cash on a non-pre-emptive basis up to an aggregate amount of £65,137.88. This amount represents 651,378 shares and is approximately 5% of the total share capital of the Company in issue (excluding treasury shares) as at 21 November 2018, 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 10 and 11 are approved, the authorities will expire at the conclusion of the AGM in 2020.

Explanation of Notice of Annual General Meeting (continued)

Authority to purchase own shares (Resolution 12)

At the AGM held on 16 January 2018, 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 893,935 shares were purchased and cancelled during the year under review. This represented 6.8% of the issued share capital at 30 September 2018. The total cost amounted to £6.578,000. 107,468 further shares have been brought back since the Company's year-end.

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

The Directors consider that the renewal of this authority is in the interests of shareholders as a whole as the repurchase of ordinary shares at a discount to their net asset value ("NAV") would enhance the NAV of the remaining ordinary shares. Accordingly, a special resolution will be proposed at the AGM to authorise the Company to make market purchases of up to 14.99% of the ordinary shares in issue, equivalent to 1,952,833 ordinary shares as at 21 November 2018, 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 2020 or 10 July 2020, unless such authority has been renewed prior to such time.

Notice period for general meetings (Resolution 13)

Resolution 13 is a special resolution that will give the Directors the ability to convene general meetings, other than annual general meetings, on a minimum of 14 clear days' notice. The minimum notice period for annual general meetings will remain at 21 clear days. The approval will be effective until the Company's AGM to be held in 2020, at which it is intended that renewal will be sought. The Company will have to offer facilities for all shareholders to vote by electronic means for any general meeting convened on 14 days' notice. The Directors will only call a general meeting on 14 days' notice where they consider it to be in the interests of shareholders to do so and the relevant matter is required to be dealt with expediently.

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.

Strategic Report	02-24
Governance	25-50
Auditor's Report	51-54
Financial Statements	55-69
Other Information	70-81

Location Map for Annual General Meeting



Financial Calendar*

	Date
Annual general meeting for 2018	10 January 2019
Announcement of interim results	May
Announcement of final results	November
Interim dividend	May
Annual dividend	November

*These dates are provisional and subject to change.

BARINGS

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20 Old Bailey

London EC4M 7BF

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.