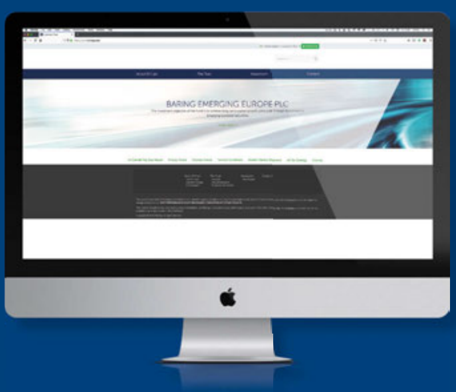
BARINGS

Annual Report & Audited Financial Statements

for the year ended 30 September 2019

Baring Emerging Europe PLC

For more information please visit our website:
www.beeplc.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.

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COMPANY SUMMARY

Baring Emerging Europe PLC (the "Company") 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 has appointed an Alternative Investment Fund Manager, Baring Fund Managers Limited (the "AIFM"), to manage its investments.

The AIFM is authorised and regulated by the Financial Conduct Authority (the "FCA").

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 of the Company.

INVESTMENT OBJECTIVE

The investment objective is to achieve long-term capital growth, principally through investment in securities listed or traded on an Emerging European securities market. The Company may also invest 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. It 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 benchmark is the MSCI Emerging Europe 10/40 Index (the "Benchmark").

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** For definitions, please see Glossary on page 71.*

Key Performance Indicators

as at 30 September 2019

KEY PERFORMANCE INDICATORS		
Annualised Net Asset Value Total Return*#	Dividend‡	Average Discount %*#
17.8% (2018: -2.6%)	**35p** (2018: 34p)	**11.5%** (2018: 11.9%)

‡ % based on dividend declared for the full year.

Highlights

for the year ended 30 September 2019

FINANCIAL HIGHLIGHTS	2019	2018
Net asset value per ordinary share ("NAV")*	**930.81p**	824.76p
Share price*	**846.00p**	714.00p
Ongoing charges (based on average NAV)*#	**1.49%**	1.50%
Gearing Ratio – Gross basis*#	**105%**	106%
Gearing Ratio – Commitment basis*#	**109%**	109%
Annualised share price movement	**24.3%**	-3.61%
Annualised Benchmark movement*	**15.9%**	1.62%
Discount to NAV per share at year end	**9.11%**	13.40%

RETURN (per ordinary share)	30 September 2019			30 September 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share*#	**35.09p**	**99.87p**	**134.96p**	24.77p	(51.98)p	(27.21)p

Revenue return (earnings) per ordinary share is based on the revenue return for the year of £4,482,000 (2018: £3,388,000). Capital return per ordinary share is based on net capital profit for the financial year of £12,754,000 (2018: net capital loss of £7,109,000). These calculations are based on the weighted average of 12,770,923 (2018: 13,677,229) ordinary shares in issue during the year.

At 30 September 2019, there were 12,439,297 ordinary shares of 10 pence each in issue (2018: 13,135,044) which excludes 3,318,207 ordinary shares held in treasury (2018: 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.

** For definitions, please see Glossary on page 71.*
 # Alternative Performance Measures.

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Chairman's Statement

Frances Daley
Chairman

"A record year for the Company."

Frances Daley, Chairman
5 December 2019

I am delighted to present the results for the year ended 30 September 2019, which was a record year in terms of performance.

In contrast to 2017/18, which was characterised by political turmoil in two of our most important markets, Russia and Turkey, 2018/19 saw oil poured over troubled waters, both literally and metaphorically. Russian energy sector companies ranked amongst the best performing stocks globally, despite falling oil prices, because of increased focus on efficiency, cash generation and dividends. Some easing of tensions between Russia and Ukraine and the lifting of US sanctions on Russian companies EN+ Group ("EN+") and United Company RUSAL ("RUSAL"), led to greater focus by investors on economic rather than political factors. Thanks to the excellent stock picking from the Investment Manager in Turkey, Turkish assets performed well as the economy adjusted to tight liquidity conditions, early signs of recovering domestic demand and an appreciation of the Turkish Lira. Unusually, it was Poland, normally our dependable ballast, which had a difficult year because of political intervention and regulatory pressures.

Performance

The annualised NAV total return over the year was 17.8% compared to the Benchmark of 15.9%, an all time high for the Company. By contrast the total return from Developed Europe was 5.1% and from Global Emerging Markets 3.9%[1]. The Company's annualised NAV total return over three and five years was 13.4% and 10.3%, compared with the Benchmark of 12.7% and 7.0% respectively. This supports our Investment Managers' continued belief in Emerging Europe's investment potential, and Russia in particular, given increasing earnings and dividend flow from undervalued stocks.

Against competitor funds, defined by the Morningstar Emerging Europe Universe, your Company sits within the 1st quartile over one year, and within the top decile over three and five years[2].

During the turbulent market conditions of 2017/18, the Board appreciated the cool headedness and logic applied to the investment process by the investment team. In 2018/19, this approach has borne fruit, shown in both absolute and relative performance. On behalf of the Board and Shareholders, I would like to thank Matthias Siller and his colleagues, Maria Szczesna and Adnan El-Araby, for their contributions to the success of the Company.

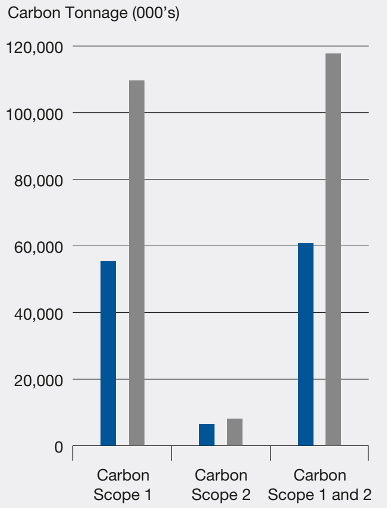
Environmental, Social and Governance

The Investment Manager incorporates Environmental, Social and Governance ("ESG") parameters in their company analysis in order to account for the improving or deteriorating corporate standards affecting a company's value. This enhancement to their investment process is fully supported by the Board and our shared belief that ESG can have a profound impact on an investment's risks and returns over time.

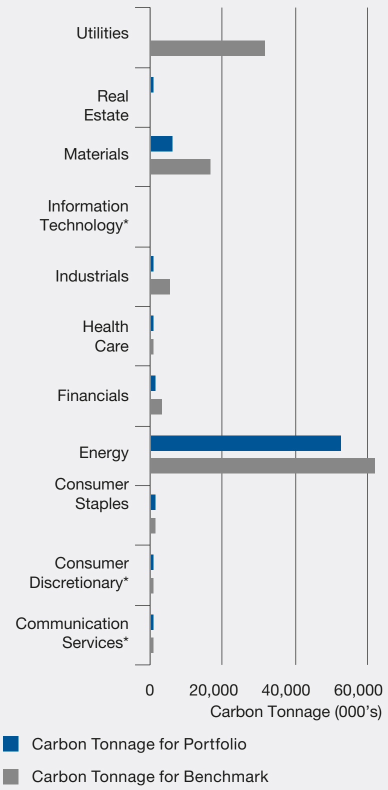
1 *As defined by the MSCI Europe (Developed Europe) and MSCI Emerging Markets (Global Emerging Markets) indices.*
2 *Quartile ranking is based on Morningstar Category - Emerging Europe Equity, customised to include the Company. Morningstar fractional weighting methodology applied.*

Chairman's Statement (continued)

Carbon Tonnage
for the year ended 30 September 2019



Sector Distribution Carbon Tonnage
for the year ended 30 September 2019



Source: Barings, MSCI, Factset

As we continue to consider the changing needs of our Shareholders we are now able to show the estimated carbon footprint of the portfolio. In what remains a carbon intensive region of the world, we are pleased to demonstrate that our portfolio has a lower carbon profile than that of the Benchmark. This is a reflection of opportunities found in Financials, Consumer and Technology orientated businesses compared with the traditionally carbon intensive sectors such as Energy, Materials and Utilities.

Carbon emissions data (Scope 1 and 2) is sourced using Barings' methodology.

Over time, we will look to enhance our approach so as to continue to capture the benefits that consideration of these factors brings to the Company.

Discount Management

The discount at the year end was 9.1% compared with 13.4% for the prior year and the average discount during the year was 11.5%. During the year, 695,747 shares were bought back and cancelled at an average price of £7.68 equivalent to a discount on average of 11.7%. The share buybacks added approximately 5.5 pence per share to NAV, accounting for just under 1% of the total return to Shareholders.

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

- greater emphasis on dividends. This has been aided by improving corporate governance standards within Emerging Europe, exhibited in the rising dividend pay-out ratios of the companies in which we invest;
- improving communications both by meetings with Shareholders 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
- share buybacks.

Taken together, these measures are having the desired effect of constraining discount volatility and gradually reducing the level of the discount. Over time, the Board hope these measures will result in improving the liquidity and attractiveness of the Company's shares to a broader range of investors.

Shareholders may recall that, at the end of 2016, the Board 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 the performance of the Company's portfolio on a total return basis does not exceed 1% of the Benchmark annually over that period. With a year to go, the cumulative average discount was 12.3% with the average discount for the year falling to 11.5% (2018: 11.9%).

Dividends

In respect of the period ended 31 March 2019, the Company paid a dividend of 15 pence per share (2018: 14 pence per share). For the year under review, the Board recommends a final dividend of 20 pence per share (2018: 20 pence per share). This amounts to a total for the year of 35 pence per share (2018: 34 pence per share), equivalent to a yield of around 4.1% on the year end share price of 846p. This payment is fully covered in total by the income account, which produced a net revenue per share of 35.09 pence per share (2017/18: 24.77 pence).

Scope 1 greenhouse gas emissions arise from direct fuel combustion from sources owned or controlled by the company (i.e. as in a furnace or vehicle).
Scope 2 greenhouse gas emissions are caused by the generation of electricity purchased by the company.
Scope 1 and 2 greenhouse gas emissions (if available) are a combination of Scope 1 and Scope 2 emissions.

** For definitions, please see Glossary on page 71.*

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Chairman's Statement (continued)

Borrowing

The Company has a borrowing facility of up to US$12 million with State Street Bank and Trust Company. The facility has been partly used throughout the period and at the year-end was fully deployed. Given low borrowing costs, this contributed positively to overall returns.

Directors

Following the retirements of Ivo Coulson in November 2018 and of Jonathan Woollett in January 2019, we were pleased to welcome two new Directors to the Board, Christopher Granville and Vivien Gould, after a recruitment process led by Cornforth Consulting. Both bring a wealth of experience to the Board, in Christopher's case, of investment research, and in Vivien's case, of investment management. The Board is benefitting from their insightful contribution to discussions.

Annual General Meeting

The Board would be delighted to meet Shareholders at the Company's Annual General Meeting ("AGM"), to be held at the offices of the Investment Manager, 20 Old Bailey, London EC4M 7BF, on Thursday, 23 January 2020 at 2.30pm, at which the Investment Manager will give their customary presentation on the markets and the outlook for the year ahead. Details can be found on pages 75 and 76 of this Report.

We have decided to remove paper proxies from our voting process for this AGM and future meetings in favour of a quicker and more secure method of online voting via our registrars' website. You can however request a paper proxy if you wish from our registrars at the appropriate time.

Outlook

The Board and Investment Manager continue to believe that Emerging European markets offer a wealth of investment opportunities at attractive valuations. These investment opportunities, combined with growing streams of dividend income plus improving ESG standards which enhance a stock's long-term value proposition, should continue to provide Shareholders with attractive risk adjusted returns.

The heightened volatility of sterling caused by the Brexit process and the associated uncertainty in the UK increases the Company's exposure to exchange rate risks, but we do not expect Brexit to have a material impact on the business fundamentals of companies in the Emerging Europe region.

At 30 September 2019, Russia, Poland and Turkey comprised nearly 95% of the portfolio. These will continue to be important markets for the Company. The professionalisation of company management and greater commitment to ESG have contributed to Russia's strong performance in 2018/19 and, whilst in some cases (notably in Energy) share prices are more richly valued, there are interesting opportunities in telecoms, software and fintech. Poland should continue to benefit from robust domestic demand, rising real household incomes and productivity gains. Turkey is on the road to economic recovery with rising domestic demand, a more stable external financing framework and falling inflationary pressures.

To date, we have made little use of our authority to invest up to 15% in other markets because there were more attractive opportunities in Russia, Poland and Turkey. However, our Investment Manager now believes the time has come to take advantage of the mandate's scope for geographical diversification within Emerging Europe, Middle East and Africa ("EEMEA"), including Frontier Markets, in order to enhance risk adjusted returns.

Frances Daley
Chairman
5 December 2019

Investment Strategy

Investment Objective

The investment objective is to achieve long-term capital growth, principally through investment in securities listed or traded on an Emerging European securities market. The Company may also invest 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 Board has agreed the following investment parameters with the AIFM in order to meet the investment objective. 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. 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, Czechia, Slovakia, Turkey, the States of former Yugoslavia, Romania, Bulgaria, Albania and Greece. There is no restriction on the proportion that may be invested in each of these countries.

In addition, up to 15% of the gross assets may be invested in other countries* provided that any investments made are in companies listed on a regulated stock exchange.

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 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.

Borrowings and Gearing

The Company uses gearing to enhance returns to Shareholders. In order to provide a mechanism to gear the portfolio the Board has authorised the Investment Manager to invest in long only derivatives in Polish, Russian and Turkish index futures where feasible. The Investment Manager has discretion to operate with an overall exposure of the portfolio to the market of between 90% and 110%, to include the effect of any derivative positions.

Discount control mechanism

In 2016, the Board decided that it was in the Company's best interests to take steps to address the long-term viability of the Company's approach to discount management. With effect from 1 June 2017, the Board approved the introduction of a policy to offer Shareholders a tender of up to 25% of the Company's shares over the four-year period from 1 October 2016 to 30 September 2020 in the event that certain events are triggered. These events being:

(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.

Please refer to the Shareholder circular dated 15 December 2016 for further details and definitions.

In addition, and in order to reduce the discount, the Board, authorises shares to be brought on the market, from time-to-time, where the share price is quoted at a discount to NAV.

* 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.

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Principal Risks and Uncertainties

Principal Risks and Uncertainties

The Company is exposed to a variety of risks and uncertainties. The Board, through delegation to the Audit Committee, has undertaken an assessment and review of the principal risks facing the Company, together with a review of any new risks which may have arisen during the year, including those risks which would threaten the Company's business model, future performance, solvency or liquidity.

The Audit Committee regularly (on a six-monthly basis) reviews the risks facing the Company by maintaining a detailed record of the identified risks against an assessment of 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 64 to 68.

Information about the Company's internal control and risk management procedures can be found in the Audit Committee Report on pages 41 and 42. The principal financial risks and the Company's policies for managing these risks and the policy and practice with regard to financial instruments are summarised in note 18 to the Financial Statements.

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

Risk	Mitigation
Investment and strategy There can be no guarantee that the investment objective will be achieved.	The Investment Manager has in place a dedicated investment process which is designed to maximise the chances of the investment objective being achieved. The Board reviews regular investment reports from the Investment Manager to monitor performance against its stated objective and regularly reviews the strategy. All of the Company's investments are listed on recognised stock exchanges and the liquidity of individual investments is monitored by the Investment Manager and the Board.
Adverse market conditions Emerging markets subject to volatile geo-political and socio-economic movements as well as possible imposition of selective sanctions. This may have an impact on the liquidity of individual investments.	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 46 stocks in 9 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 18 to 20. 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.
Size of the Company The size of the Company could become sub optimal as share buybacks reduce the Company's market capital.	The Investment Manager discusses and agrees with the Board prior to making any buybacks. The Manager and Corporate Broker are in regular contact with major institutional investors and report their views to the Board on a regular basis.
Share price volatility and liquidity/ marketability risk The shares of the Company are traded freely and are therefore subject to the influences of supply and demand and investors' perception 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.	The Board seeks to narrow the discount by undertaking measured buybacks of the Company's shares. The Company and Investment Manager works with the broker to seek to increase demand for the Company's shares. 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. In addition, as set out on page 6, the Company has offered investors the ability to realise their investment in the Company at NAV less costs should the Company not meet targets relating to average discount or performance over a four year period.

Principal Risks and Uncertainties (continued)

Risk	Mitigation
Loss of assets 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 which reports regularly to the Board.
Engagement of third party service providers 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 Company operates through a series of contractual relationships with its service providers. The Board reviews the performance of all service providers both in Board meetings and in the Management Engagement Committee meeting, where the terms on which the service providers are engaged are also reviewed. The Audit Committee also receives internal controls reports from key service providers. The Board assesses whether relevant controls have been operating effectively throughout the period.

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Investment Manager

Management Arrangements and Fees

Baring Fund Managers Limited acts as the 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 NAV 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 team of emerging equity professionals based in London, Hong Kong and Taiwan, utilising 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. 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 an investment manager in the EMEA & Global Frontier Markets Equity Team. His primary responsibilities are focussed on the Technology and Resources (O&G, M&M, Agriculture) sectors within the EMEA region. Adnan joined Barings in 2010 from Legg Mason Capital Management, where he was 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

Report of the Investment Manager

HIGHLIGHTS

Our investment philosophy is based on the belief that equity markets are inefficient. We believe these inefficiencies are greatest at the stock level and that over the long-term stock selection can add value in all equity asset classes. Our disciplined bottom-up stock selection process incorporating ESG analysis, macro considerations and a risk-aware portfolio construction process, enables us to manage stock-specific risks and mitigate volatility inherent in equity markets.

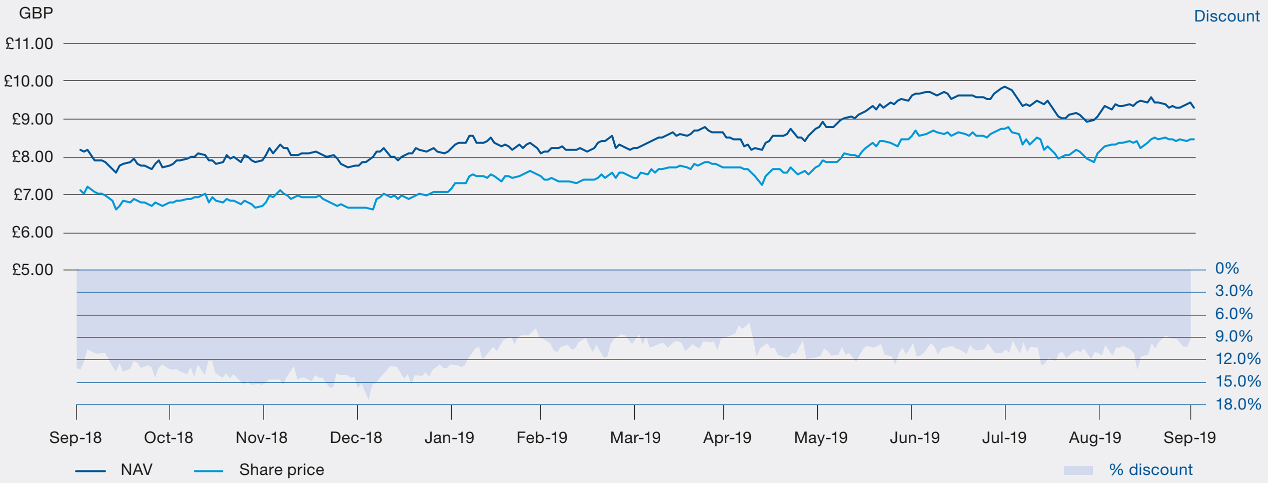
Key Differentiators	
Depth of resource	We have a large and experienced team of emerging markets investment professionals producing proprietary and differentiated company research which drives our stock selection.
Five year research horizon	Our research horizon is five years, where we believe market inefficiency is more pronounced, allowing us to readily identify companies with unrecognised growth potential.
Incorporation of top-down macro considerations into a bottom-up process	We capture macro risks within our investment process via our unique cost of equity*, incorporating these risks into our valuation of equities and setting of price targets.
Integration of ESG	ESG is fully embedded into our investment process, influencing both the qualitative assessment and final cost of equity used to set price targets.
Proprietary portfolio construction tools	We believe the key to delivering high risk-adjusted returns is through company stock selection and robust risk management. We achieve this through the use of our proprietary in-house portfolio construction tools.

INVESTMENT PERFORMANCE

We are pleased to report that the performance of your Company lifted the Company share price to new all-time highs (dividend reinvested basis) led by a wealth of investment opportunity within the region.

During 2019 Emerging European markets enjoyed both strong absolute and relative performance compared to the recent past. This was against a challenging backdrop where volatility increased substantially in response to political and macroeconomic factors. In addition, Emerging European currencies, stock markets and sectors behaved in a diverse manner, providing a highly uncorrelated investment universe which exhibited examples of both stellar performance and pronounced weakness. This provided a fertile hunting ground from which to unearth mispriced companies in

NAV per Share, Share Price, % discount to share price NAV



Source: Northern Trust

** For definitions, please see Glossary on page 71.*

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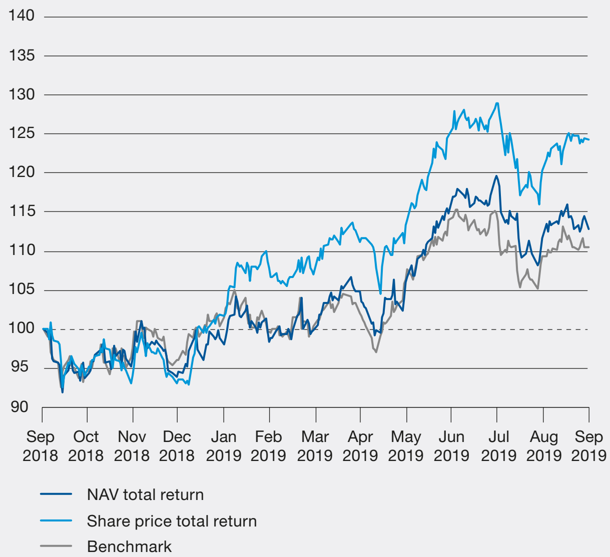
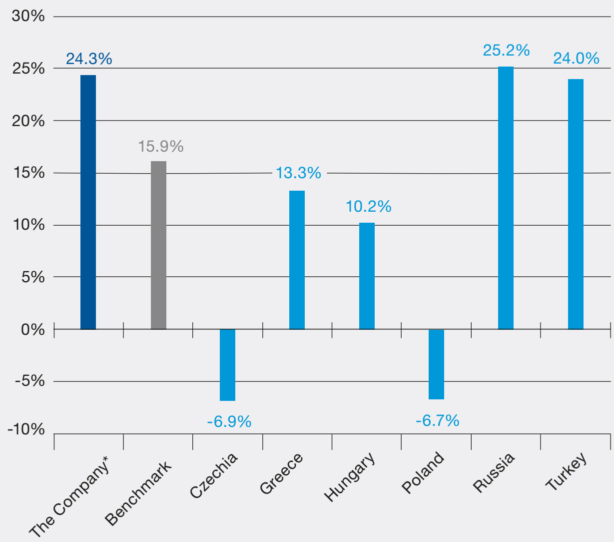
Report of the Investment Manager (continued)

Performance Versus Benchmark
for the year ended 30 September 2019



Source: Barings, MSCI, Factset

Company, Benchmark and Country Returns (£)
30 September 2018 to 30 September 2019



*The Company is based on Share price Return (total).
Source: Barings, MSCI, Factset

which to invest. Against this background, your portfolio benefitted from being broadly diversified, delivering an increase in the Company's NAV of 17.8% (including dividends), against a Benchmark performance of 15.9%.

Russia

Building on a strong 2018, last year saw a continuation of the Russian equity market's positive performance. Remarkably, this development took place against a backdrop of sharply falling oil prices, challenging the notion that the Russian equity market's performance hinges on oil and oil alone. Importantly, we recognise recent developments have been driven by marked improvements in management performance toward ESG policy within the Russian private sector, and, to an increasing degree, state owned enterprises.

Economic and Political Background

In the context of Russia's often headline-grabbing foreign policy of recent years, a comparably uneventful year brought a visible reduction in the country's risk premium (the additional return premium investors require to take elevated risk), as investors' attention rested on economic developments. We deem the appreciation of the Russian Rouble a prominent indicator of the increasing appeal of Russian assets, especially in a global environment that mostly saw depreciating Emerging Markets' currencies when faced against a stubbornly elevated USD. While cynics might remark on the short memory of financial markets, we draw a more constructive picture. The release of 35 Ukrainian prisoners under the terms of a prisoner swap in September 2019, amongst them the renowned film maker Oleg Sentsov, one of the most famous political prisoners in Russia, and the revival of the so-called Steinmeier formula (calling for OSCE-supervised elections to be held in the separatist-held territories of Eastern Ukraine), could well signal an improvement in the relations between Russia and Ukraine, and henceforth the European Union. In addition, overall investor sentiment has been helped by the US Treasury's Office of Foreign Asset Control (OFAC) decision to lift the sanctions regime on Russian companies EN+ and Rusal. This resulted from an agreement, made in January 2019, with Oleg Deripaska, the former majority shareholder of these companies, to reduce his direct and indirect shareholding stake and sever his control.

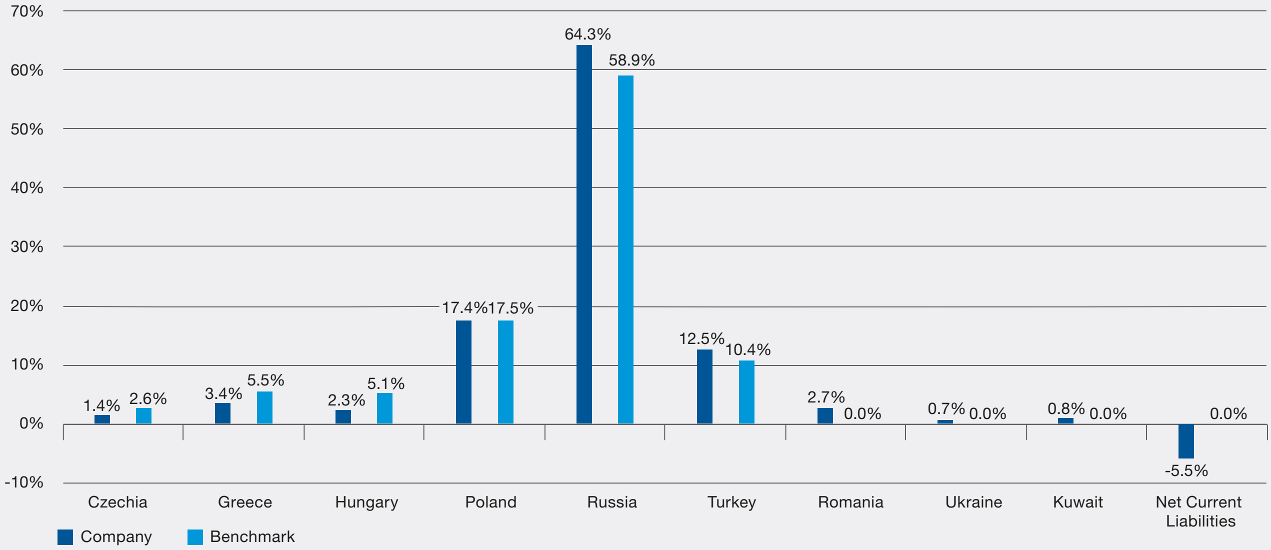
Russia also saw a continuing trend of high profile, strategic energy deals. Examples include the USD 21bn Arctic Liquefied Natural Gas (LNG) 2 project conducted by Russia's Novatek and its partners CNOOC of China and Mitsui of Japan. Arctic LNG2 is key to Russia's ambition of growing to be the dominant global player in LNG, a cleaner energy source. This is especially prevalent in the context of the current energy transition sought by the European Commission, representing a readily accessible alternative to reduce greenhouse gas emissions and help combat global warming.

A major boost to growth will likely come from government-led investment. Public capital expenditure shrank by some 5-10% year-on-year in the first half of 2019 due to slippage in the realisation of large-scale infrastructure works known as the National Projects.

Report of the Investment Manager (continued)

Classification of Assets

Distribution of Portfolio by Country (%) at 30 September 2019



Source: Barings, MSCI

We expect the pace of National Project spending to pick up in 2020, with the positive growth effect likely to be enhanced by the announced spending of USD 15bn from the National Welfare Fund in 2020-22 on public investments and export credits. In addition to higher government investment, faster growth should also result from lower inflation and a broader easing of monetary and fiscal policy. This points in particular to an improvement of the lacklustre domestic household demand growth seen in 2019.

Company Weighting Versus Comparator Benchmark by Country at 30 September 2019

Country of operation	Company	Benchmark*
Czechia	**1.4%**	2.6%
Greece	**3.4%**	5.5%
Hungary	**2.3%**	5.1%
Poland	**17.4%**	17.5%
Russia	**64.3%**	58.9%
Turkey	**12.5%**	10.4%
Romania	**2.7%**	0.0%
Ukraine	**0.7%**	0.0%
Kuwait	**0.8%**	0.0%
Net Current Liabilities	**-5.5%**	0.0%
Total	**100.0%**	100.0%

**Includes rounding differences.*
Source: Barings, MSCI

Investment Strategy

Companies within Russia's energy sector, a consistent core portfolio component, rank amongst the best-performing stocks, not just within Emerging Europe, but also globally. These companies have been able to deliver almost 100% returns in USD over the past 10 years, standing in stark contrast to global peers and the oil price which provided negative returns over the same period (as measured by the Bloomberg World Oil & Gas Index). Notably, the sector saw a major step change in composition as Gazprom saw a substantial rise in its index weighting as the company continues to consolidate its place as the world's largest gas producer. Gazprom had previously long lagged behind its peers in Russia's private sector but, following what we recognise to be substantial improvements in the company's corporate governance, the company has made significant strides to increase its dividend distribution to minority shareholders, made possible by a renewed focus on efficiency and cash generation. This culminated in one of the strongest performances of any large cap stock globally and saw Gazprom's share price climb by more than 50% in USD terms. We took profits in LNG gas producer Novatek, as the company responded to developments within their highly successful Yamal project which saw the company move closer to our target price.

Outside the Energy sector we invested in Russian telecommunication company Mobile Telesystems (MTS), a key beneficiary of Rouble strength where we recognise the ongoing margin repair on the Russian telco market. In the materials sector we introduced a position in Polyus, one of the largest producers of gold globally,

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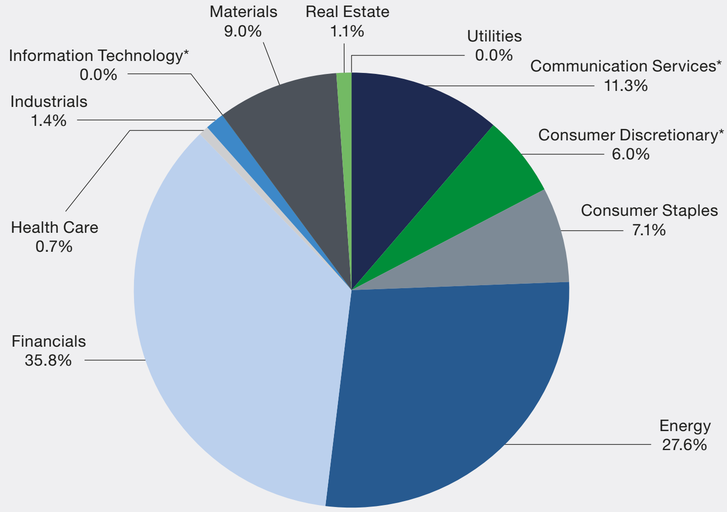
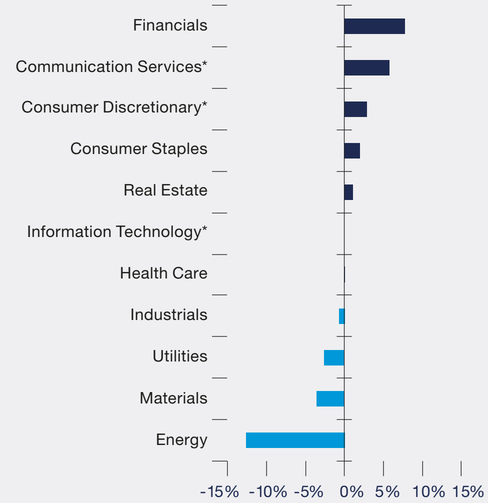
Report of the Investment Manager (continued)

Classification of Gross Assets

Distribution of Portfolio by Sector (%) at 30 September 2019



Sector Distribution Relative to Benchmark



* Redistribution of weights namely due to GICS classification changes which came into effect in Q4 2018

Source: Barings, MSCI

boasting a vast, easily accessible resource base. While this increased our exposure to precious metals, this was partially offset by a reduction in our holding in Alrosa, a diamond producer widely recognised in carat production terms as a peer to De Beers, following strong share price appreciation.

Turkey

In what was a challenging economic backdrop, Turkish assets were volatile, but performed well over the course of the year. The potential of Turkish companies remains substantial, supported by the country's young population and solid education system, underpinning the economy to generate growth and attract foreign investment. With valuations remaining attractive and well below long-term averages, assets prices stand to benefit considerably from falling inflation expectations.

Near term political challenges remain prevalent and there continues to be little reason to believe that the substantial political risk premium incorporated into Turkish asset prices is likely to wane any time soon. Our view, however, remains positive as we take note of the recent macroeconomic improvements.

Economic and Political Backgrounds

After the turbulent events of summer 2018 which saw the Turkish market transition through a period of stress as inflationary pressures and political interference undermined the Turkish Lira, the Turkish Central Bank, committed to reigning in inflationary pressures, maintained elevated interest rates of 24.5%. This orthodox approach led to a substantial fall in inflation expectations, returning initiative to Turkish policy makers. While the resulting tight domestic conditions brought a rapid contraction in economic activity, we note that the highly flexible Turkish economy was able to effectively adjust and, by mid-2019, tentative signs of recovering domestic demand became visible. Importantly, the current account deficit, (a measurement of a country's trade where the value of the goods and services it imports exceeds the value of the products it exports), reversed sharply as a significantly weakened Lira caused imports to fall while exports remained solid. Furthermore, the Central Election Commission's decision to declare the opposition's close win in the May 2019 municipal election in Istanbul void on dubious grounds felt like yet another setback – only to become a galvanising moment in Turkey's history of civil society as a revote confirmed the victory of the charismatic Ekrem Imamoglu in dramatic fashion, and placed him in office as mayor of Turkey's largest metropolis and economic centre.

Investment Strategy

Following rapid developments on the ground in Turkey, representatives of the team visited Ankara and Istanbul where we met with government institutions, management teams and visited operational facilities to gain insight into the state of the Turkish economy. The outcome of the trip resulted in a change to our strategy, substantially increasing our exposure to Turkish stocks. While political noise remained elevated, underlying economic trends soon started to reflect tentative signs of recovery as external

Report of the Investment Manager (continued)

financing stabilised and falling inflationary pressures resulted in the substantial appreciation of the Turkish Lira. This led to the significant appreciation in a number of companies within the portfolio which were able to effectively adapt to the dynamic landscape. Within the banking sector our attention was focused on Yapi Kredi Bank, where we saw substantially better valuation levels compared to its private sector peers Garanti and Akbank. Mobile telephony and internet service provider Turkcell, at times during the year ranking amongst the largest portfolio holdings, was sold eventually on the back of significant stock price appreciation. Turkcell operates with an impressive 50% market share, and was able to effectively utilise its position to maintain strong pricing power amidst the elevated inflationary environment to deliver robust top line growth. New additions to the portfolio included Arcelik, the leading European white goods producer, car manufacturer TOFAS and the country's largest refiner, Tupras, all of which were notable contributors to performance.

Poland

Historically Poland has been a much needed safe haven within Emerging Europe. However, the stock market endured a difficult year, owing mainly to increasing political intervention and regulatory pressures. Furthermore, concerns over dwindling export growth in Europe, driven largely by the German auto industry, had a detrimental effect on the currency. In sharp contrast, the domestic economy remains resilient, being less dependent on exports than other Central European states. We expect that the ongoing tribulations within the financial system will eventually allow for consolidation and higher profitability levels.

Economic and Political Background

The Polish economy continues to benefit from robust domestic demand, supported by rapidly rising real household incomes while ongoing productivity gains and falling transport fuel prices have kept inflationary pressures at bay. This has attracted an influx of labour from the Ukraine and Belarus, who have taken jobs in labour intensive sectors such as construction and agriculture. Additionally, the conservative government's introduction of its flagship social transfer programme – the 500 Polish Zloty child allowance – was followed by a host of further fiscally expansive measures aimed primarily at pensioners and families in the run-up to the October 2019 parliamentary elections. While these measures were designed to keep the PiS in power, strong economic growth and improved tax collection has boosted tax revenues while prudently managed public finances have enabled the government to give back, albeit at the expense of spending in other areas of the economy. Elsewhere, Swiss Franc mortgages, actively sold in Poland predominantly during the years 2006-2009, have proven to be a source of constant headache for Polish banks' management. While of decent credit quality, the mortgages have attracted the attention of regulators and have become subject of litigation risk, supported by an EU court ruling. While a forced conversion of CHF mortgage books to Polish Zloty denomination would cost the banking sector up to PLN 20bn, we believe the Polish banking sectors' high capitalisation levels would be able to absorb the losses and, with the help of the regulator, allow them to mitigate its impact. Overall, the events of the last year have brought us closer to a resolution in this ongoing saga.

Investment Strategy

While in Central Europe the portfolio suffered from substantial stock price declines in various Polish stocks, we remain vigilant as valuations are approaching multi year lows and the overall damage inflicted by regulatory developments in the banking sector has been limited. Amid this environment, one key inclusion to our portfolio in Poland was CD Projekt, one of the world's most successful computer game producers. We believe the company has the ability to expand and diversify its current franchises to become a multi-title producer.

Greece

An early parliamentary election in Greece led to a resounding victory of the conservative New Democracy (a centre-right political party in Greece) under Kyriakos Mitsotakis, ending the leftist Syriza party's four-year tenure in power.

After a prolonged period of underwhelming news flow and a generally volatile market backdrop, the outlook for the Greek banking sector has started to improve, aided by a new found confidence in the country's economic development. At the centre of investors' attention stand the large portfolios of non-performing loans on Greek banks' balance sheets. A number of these loans were collateralised against real estate and therefore carry an intrinsic value that could be realised via foreclosure. Not surprisingly, much of this collateral is made up of the businesses and primary residences of ordinary Greeks, thus creating a politically charged stumbling block for the banking sector in their quest to release the necessary liquidity to re-start lending to the Greek economy. As plans for a potential carve-out and subsequent sale of non-performing loans emerged, investor attitudes improved, evidenced in the pronounced performance of the sector on the Athens stock exchange. Making use of the pronounced volatility over the course of the year we increased our investment in the Greek banking sector and added Alpha Bank to our existing holding of National Bank of Greece.

Romania

Romanian economic growth has historically benefitted from substantial inflows of foreign direct investment over previous years as the country's private sector's ability to channel funding from the EU has steadily increased. However, rapidly growing household consumption and short-sighted fiscal policies pursued by the Social-Democrat government, led to overheating in the economy

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Report of the Investment Manager (continued)

by late 2018. This was evident in worrying signs of inflationary pressures, a rapidly expanding twin deficit (current account and budget) and even a thinly-veiled attempt to curb the Central Bank's independence. This situation was exacerbated by an attempt by the government to plug the financing gap by introducing draconian banking taxes, resulting in a sharp drop in asset prices as banks signalled their inability to conduct profitable business under the proposed levies. Ultimately, the Finance Ministry recognised the lobbying of the banking industry and adopted a lighter approach, finding a compromise between sustaining profitable growth potential for the sector and fiscal contributions. Looking ahead we are of the opinion that the presidential elections (autumn 2019) and parliament elections (2020) will pave the way for the reform orientated, liberal-led government. Following the positive developments, we added to our holding in BRD, Société Générale's Romanian subsidiary and one of the Balkan country's largest banks.

Eastern Europe

Elsewhere, Global IT services giant DCX Technology's take-over offer for the Central and Eastern European IT outsourcing services specialist, and long-term conviction holding, Luxoft allowed us to exit our position after a substantial stock price increase. This development provides an insight into the competitive advantage of the region's service sector. Eastern Europe boasts a talent pool of a well-educated, reliable and flexible software engineers successfully competing on a global level in increasingly complex and fast growing applications such as autonomous driving or fintech. While the Emerging European export success story is often reduced to industrial manufacturing or commodities sectors, Luxoft's buyout serves as a reminder of the high value added capabilities of Emerging European IT & software companies.

Middle East, North & Sub-Saharan Africa

Middle Eastern and North African markets remained largely muted over the course of the year. Of note, was the inclusion of Saudi Arabia into the MSCI Emerging Markets Index completing a two-stage inclusion process that began in May 2019 and ended in August 2019. This reclassification attracted both passive and active inflows as investors took note of the opportunity the market offers, supported by structural reform, social change and ambitious infrastructure plans. Furthermore, the much anticipated IPO of Saudi Aramco, Saudi Arabia's national petroleum and natural gas company and one of the largest companies in the world by revenue, is expected to be listed in the near term. The sheer size of this initial offering, poised to be the largest IPO in history by size, and the potential for related liquidity effects (namely outflows from other stocks) have already made a significant impact on investor attitudes.

The Company's engagement in the extended geographical mandate of the Middle East, North and Sub-Saharan Africa remains limited, as we have continued to find an abundance of significant investment opportunities within our core markets. In our view it is important to underscore that Turkey, Greece and especially Russia (on a combined level representing in excess of 80% of our portfolio) rank amongst the best performing equity markets globally over the last 12 months, justifying the allocation of the largest part of our funds to those markets. Over the medium term, we remain positive on the potential for the Middle East, North Africa and Sub-Saharan stock markets.

LEVERAGE

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 elevated US interest rates have increased the overall interest payment costs 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 continued employment of our gearing strategy.

OUTLOOK

The positive performance of various Emerging European stock markets over the last year is reflected in the increasing attention investors pay to local company specific factors rather than global developments. This continuing trend may well mark an important moment in investors' perception of Emerging European markets, where political risk considerations have overshadowed an improving corporate climate. These developments in our view have also been supported by changing investor attitudes towards sustainability and investing effectively for the long term. By incorporating ESG key parameters in our company analysis, we are able to engage management and clearly define expectations and enhance accountability. Additionally, by engaging directly, investors are able to gain valuable insight into a company's attitudes toward governance, thus unearthing risks not apparent from traditional analysis. This serves to further contextualise investment decisions and support the long term stability and profitability goals of the Company.

The overall growth profile of Emerging Europe remains very attractive in our view, especially considering the region's low valuations and idiosyncratic opportunities such as cheap currencies, falling real interest rates and strong corporate and sovereign balance sheets. We also note the substantial opportunities we see in the consumer space, export industries and technology as rising household income levels and infrastructure investment lay the foundation for sustainable growth and the attraction of foreign investment.

Politically, we do observe some constructive changes in the state of civil societies and inherent institutional strength, challenging the uninspiring traditional notion of the region. These changes can often

Report of the Investment Manager (continued)

be seen in the most testing of environments. The election of former comedian Volodymyr Zelensky as Ukrainian President, the return of former economy minister and AK Party founding member Ali Babacan to the political fray in Turkey, and various local and national election results across the region are indicative of the development of these ongoing political processes.

We believe that Emerging Europe has now realised the largest portion of the increase in dividend pay-out ratios, a key driver of revenue generation in recent years: leading to what we believe is a normalisation in dividend growth within the region. Looking ahead, we believe a supporting factor to the portfolio's revenue generation capability will be the performance of Emerging European currencies as they respond to growing foreign investment and the relative strengths of their economies globally.

We acknowledge the strong performance delivered by Russian energy companies in particular and recognise that, in some cases, share prices have edged closer to full valuation. This, we believe, presents an opportunity to explore a larger degree of stock picking opportunities in other sectors and markets, also including the extended geographical mandate of the Middle East, North Africa and Sub-Saharan Africa. This should also benefit the portfolio's resilience to volatility as this expansion into different markets offers further diversification benefits, and supports our objective to generate higher risk-adjusted returns.

Review of Top Ten Holdings

at 30 September 2019

Holding	Sector	Market value £'000	% of investment portfolio	End weighting relative to Benchmark	Company comment
Sberbank	Financials	**12,058**	**10.4**	Overweight	Russia's largest bank, successful implementation of modernisation strategy offers scope for further improvement of profitability.
Gazprom	Energy	**11,627**	**10.0**	Overweight	Russia's largest oil and gas producer, offering substantial dividend distribution.
Lukoil	Energy	**9,404**	**8.1**	Underweight	High yielding Russian oil stock with potential for further dividend growth.
Novatek	Energy	**6,657**	**5.7**	Underweight	Largest independent gas producer in Russia. Liquified Natural Gas strategy provides significant growth potential.
X5 Retail Group	Consumer Staples	**6,106**	**5.3**	Overweight	One of the leading Russian supermarket chains, benefitting from expansion and consumption growth.
PZU	Financials	**4,828**	**4.2**	Overweight	Largest Polish insurer. Its capital base allows for substantial dividend payout ratios. Enlarging client base via strategic stakes in Polish banking sector.
Polyus	Materials	**3,447**	**3.0**	Overweight	One of the largest producers of gold globally, boasting a vast, easily accessible resource base.
Mobile Telesystems	Communication Services	**3,420**	**3.0**	Overweight	Russian telecommunication company and key beneficiary of the ongoing margin repair of the sector.
KGHM Polska Miedz	Materials	**3,367**	**2.9**	Overweight	Largest European copper miner. Core Polish operations' efficiency improving.
VakifBank	Financials	**3,363**	**2.9**	Overweight	One of Turkey's largest banks which has seen a strong turnaround following management efforts to upgrade operations and deliver on strategic goals.
			55.5		

Report of the Investment Manager (continued)

Investment Portfolio

at 30 September 2019

	Holding	Primary country of listing or investment	Market value £'000	% of investment portfolio
1	Sberbank	Russia	12,058	10.41
2	Gazprom	Russia	11,627	10.04
3	Lukoil Holdings	Russia	9,404	8.12
4	Novatek	Russia	6,657	5.75
5	X5 Retail Group	Russia	6,106	5.27
6	PZU	Poland	4,828	4.17
7	Polyus	Russia	3,447	2.98
8	Mobile Telesystems	Russia	3,420	2.95
9	KGHM Polska Miedz	Poland	3,367	2.91
10	VakifBank	Turkey	3,363	2.90
11	AO Tatneft	Russia	3,215	2.78
12	PKO Bank Polski	Poland	3,097	2.67
13	Mail.Ru	Russia	3,058	2.64
14	Yapi Kredi	Turkey	2,685	2.32
15	Yandex	Russia	2,627	2.27
16	Santander Bank Polska	Poland	2,527	2.18
17	CD Projekt	Poland	2,417	2.09
18	National Bank of Greece	Greece	2,417	2.09
19	Bank Pekao	Poland	2,192	1.89
20	Norilsk Nickel	Russia	2,013	1.74
21	Tupras	Turkey	1,899	1.64
22	OTP Bank	Hungary	1,842	1.59
23	TCS	Russia	1,763	1.52
24	Globaltrans	Russia	1,731	1.50
25	BCA Transilvania	Romania	1,711	1.48
26	CCC	Poland	1,672	1.44
27	Komercni Banka	Czechia	1,631	1.41
28	Detsky Mir	Russia	1,504	1.30
29	Turk Telekomunikasyon	Turkey	1,484	1.28
30	Alpha Bank	Greece	1,466	1.27
31	Moscow Exchange	Russia	1,454	1.26
32	Alrosa	Russia	1,449	1.25
33	Ulker Biskuvi Sanayi	Turkey	1,366	1.18
34	LSR	Russia	1,362	1.17
35	Tofas Turk Otomobil Fabri	Turkey	1,167	1.01
36	Arcelik	Turkey	1,123	0.97
37	Human Soft	Kuwait	958	0.83
38	MD Medical	Russia	890	0.77
39	MHP	Ukraine	820	0.71
40	MOL Hungarian & Gas	Hungary	795	0.69
41	Turkcell Iletisim Hizmetleri	Turkey	785	0.68
42	Sphera Franchise	Romania	725	0.63
43	EN+ Group International	Russia	720	0.62
44	BRD-Groupe Societe General	Romania	691	0.60
45	Migros Ticaret	Turkey	335	0.29
46	DP Eurasia	Turkey and Russia	223	0.19
	Total investments (gross assets)		**122,091**	**105.45**
	Net current liabilities		**(6,305)**	**(5.45)**
	Net assets		**115,786**	**100.00**

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 proprietary 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 to evaluate companies and determine *relative attractiveness across geographies and sectors*

GROWTH	VALUATION	QUALITY
Unrecognised growth, typically identified on a five year horizon where market inefficiency is more pronounced	Price targets achieved by discounting long term earnings forecasts using an **appropriate cost of equity and a target PE**	**Qualitative assessment** provides a level of certainty as our research horizon is five years
▪ **Historical** – last three-years' net earnings growth	▪ **Our Valuation Method** – five years discounted by COE to set price target and determine upside	▪ **Franchise** – competitive advantage, efficiency, stability
▪ **Near-term** – next 12-months' net earnings growth	▪ **Earnings based** – next 12 month forward P/E multiple	▪ **Management** – competence, commitment and alignment with Shareholder Interest
▪ **Long-term** – next five-years' net earnings growth	▪ **Return based valuation** – P/B relative to ROE and P/B relative to cost of capital	▪ **Balance sheet** – cash flow, working capital, capital structure analysis

COMPANY SCORE [1-5]
Each of the above nine factors are scored 1-5 and equally weighted

KEY INPUTS
- Company fundamentals including proprietary financial forecasts
- Sector / industry / macro trends and outlook
- ESG considerations

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.

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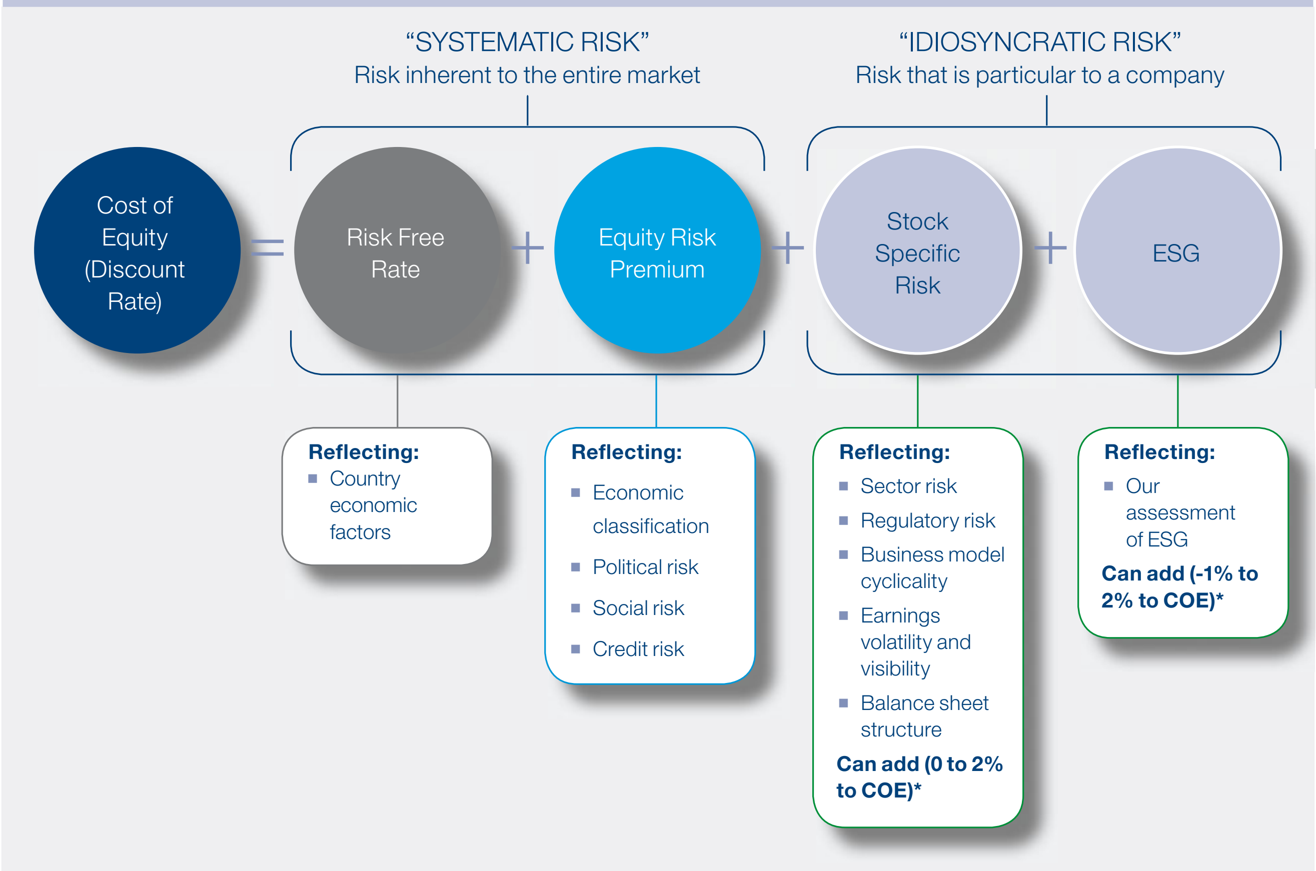
While focused on company analysis, our investment process does also factor in the effects of macro influences such as the economic outlook and political change as well as ESG issues. We integrate these considerations through our unique cost of equity when we value companies.

Integrating Macro – Cost of Equity Used in Company Valuation

A company's equity value is discounted by a company-specific cost of equity to determine a price target and upside from current market prices



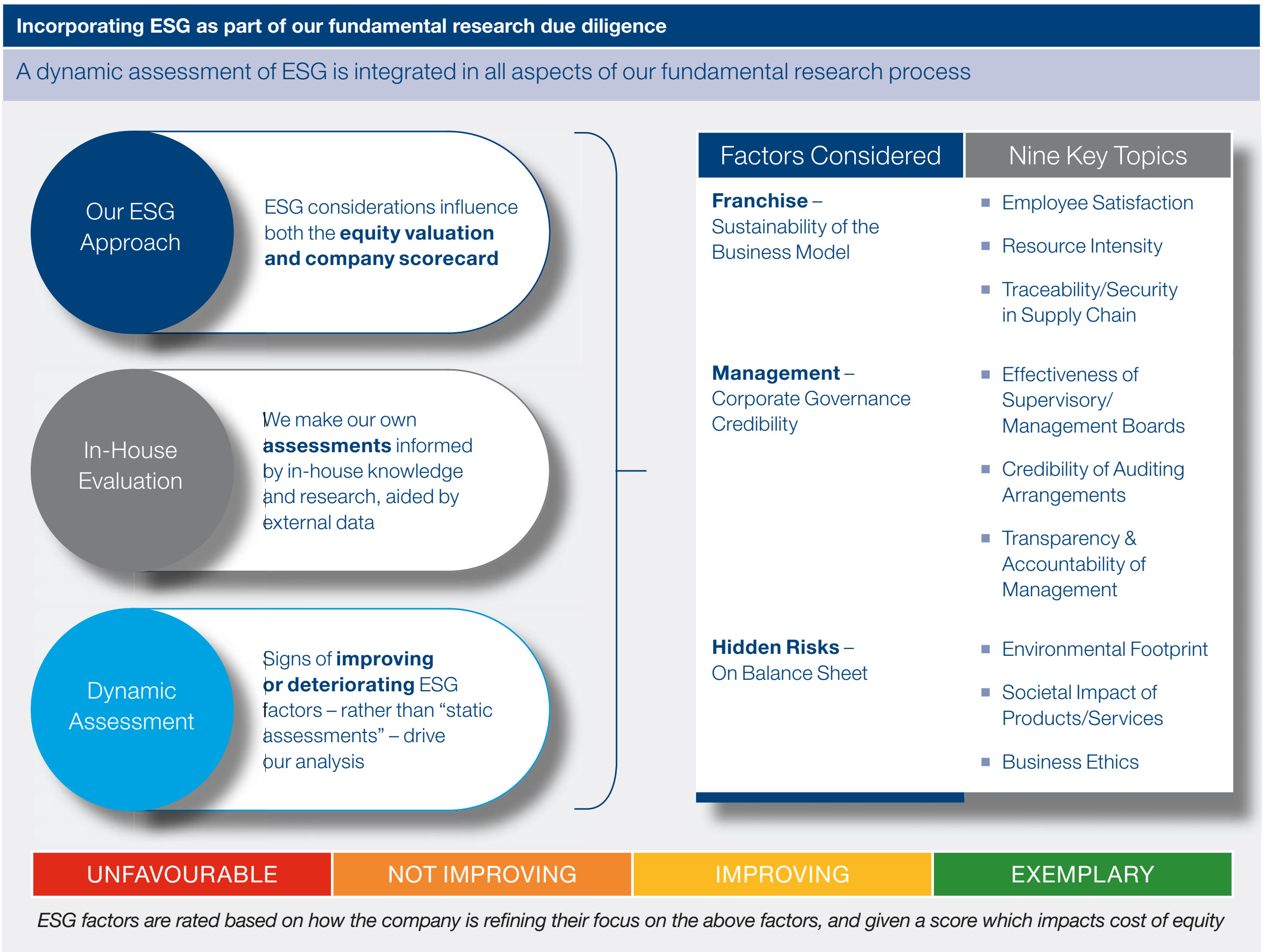
Allows price target comparisons across sectors and geographies

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. 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 own 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.

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 as part of our portfolio construction and risk management process we employ a range of proprietary tools and models to fully identify all risks within our portfolio.

** For definitions, please see Glossary on page 71.*

Report of the Investment Manager (continued)



We take a multi-layered approach to fully understand how each position contributes to the stock specific and factor risk within the portfolio. This begins with our fundamental bottom-up research to identify all potential risks associated with each individual company. In addition our proprietary cost of equity aims to capture not only stock specific risk, including ESG, but also systematic risk to ensure that the expected return fully compensates for any potential risks.

In considering ideas for potential inclusion into our portfolios, the investment manager considers two key questions:

1. How does the investment decision impact the portfolio's expected return?
2. How does the investment decision impact the portfolio's risk characteristics?

The assessment of the risk and return profile of the fund is aided by the use of our proprietary portfolio construction tools. This approach assists in pre-trade analysis to identify which companies have the greatest scope to improve the risk and return characteristics of the portfolio while additionally aiding position sizing. Furthermore, these tools also empower our portfolio managers to minimise unintended factor risk while maximizing the stock specific risk contribution to ensure that our bottom up ideas drive investment performance. 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.

Baring Asset Management Limited
5 December 2019

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Corporate Review

The Strategic Report on pages 2 to 22 of the Annual Report and Audited Financial Statements 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 aim to at least maintain a dividend year-on-year and will pay income from capital when considered appropriate by the Board. The Board anticipates paying out up to one per cent. per annum of NAV from capital. The Board believes that this is a sustainable policy that should improve the Company's appeal amongst investors.

Dividend

The Board recommends a final dividend of 20 pence per share. Subject to Shareholder approval at the AGM, the recommended final dividend will be paid on 14 February 2020 to Shareholders on the register at the close of business on 10 January 2020. The shares will be marked ex-dividend on 9 January 2020.

Buyback Programme

During the period from 1 October 2018 to the year ended 30 September 2019, the average discount was 11.54% (2018: 11.90%).

During the year ended 30 September 2019, 695,747 shares were repurchased at a cost of £5,293,000 (893,935 shares were repurchased during the year ended 30 September 2018 at a cost of £6,578,000). All shares repurchased during the year were cancelled.

Continuing Appointment of the Alternative Investment Fund Manager

The Board keeps the performance of the AIFM under continual review. The Management Engagement Committee conducts an annual appraisal of the AIFM's performance and makes a recommendation to the Board about the continuing appointment of the AIFM. As the AIFM has delegated the portfolio management function to the Investment Manager, the performance of the Investment Manager is also regularly reviewed. The annual review of the performance of the Investment Manager includes consideration of:

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

It is the opinion of the Board that the continuing appointment of the AIFM, on the terms agreed, is in the best interests of Shareholders as a whole. The Board is of the view that the AIFM has managed the portfolio well in accordance with the Board's expectations and has delivered good returns.

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 five years, which was selected because it was considered to be a reasonable time horizon in the context of the Company's investment portfolio and cost base. The Board also regularly considers the strategic position of the Company including investor demand for the Company's shares and a five year period is considered to be a reasonable time horizon for this.

The Directors have carried out an 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 7 and 8. 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. It has been reported by the Investment Manager that the portfolio has sufficient liquidity to meet all requirements with

Corporate Review (continued)

approximately 95% of the portfolio able to be liquidated within five days. The Company has no long term debt. At 30 September 2019, the Company had fully drawn down its US$12 million 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.

As explained on page 6, the Directors have announced to Shareholders that a tender offer of 25% of the shares in issue at 30 September 2020 will be made if certain targets are not met. If a tender is made, the Company will continue to remain viable with the resultant reduction in shares in issue.

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 five year period to December 2024.

Environmental, Human Rights, Employee, Social and Community Issues

Since the Company does not have any employees, the day-to-day management of these areas is delegated to the AIFM. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no environmental, human rights, social or community policies.

Environmental, Social and Governance factors are considered by the Investment Manager as part of its investment process. Further information can be found in the Chairman's Statement on pages 3 and 4 and the Investment Manager's Report on pages 18 to 20.

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

Frances Daley
Chairman
5 December 2019

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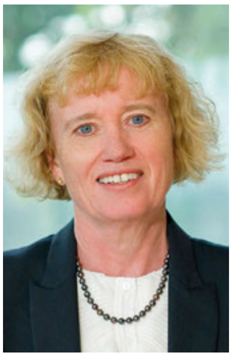
Board of Directors



FRANCES DALEY FCA, MCSI – 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 a non-executive director of Henderson Opportunities Trust PLC and Regional REIT Limited. She was appointed to the Board on 29 April 2014.

NADYA WELLS – Non-Executive Director, Senior Independent Director, Chairman of Nomination Committee and Management Engagement Committee

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 chairs the audit committee, and sits on risk and strategy committees. She is a non-executive director of Eastnine AB in Sweden and Hansa Investment Company Limited. 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.

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 led Deloitte LLP's global and UK asset management groups. He is a non-executive director and audit committee chairman of The Diverse Income Trust plc, AVI Global Trust Plc, Standard Life Private Equity Trust plc and BLME Holdings plc, a UK regulated bank. He currently chairs two charities, La Serenissima and the Tarbat Discovery Centre. He was appointed to the Board on 21 September 2017.

CHRISTOPHER GRANVILLE – Non-Executive Director

Christopher Granville was formerly a British diplomat in the Political Section of the British Embassy in Moscow and has a wealth of experience in Emerging Europe. He is currently a Board Director and Managing Director of TS Lombard, an independent investment research provider formed in 2016 from the merger of Trusted Sources, a firm specialising in emerging markets, that was co-founded by Christopher in 2006, and Lombard Street Research. Previously, he 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. Christopher joined UFG from Fleming-UCB, a Moscow brokerage that he helped start up in 1995 and where he held the position of managing director and Head of Research. Christopher is a member of the Board of Directors of EOS AB and a member of the Investment Committee of Olma Private Equity Fund. He was appointed to the Board on 30 November 2018.

VIVIEN GOULD – Non-Executive Director

Vivien Gould has worked in the financial services sector since 1981. She was a founder director of River & Mercantile Investment Management Limited (1985) and served as a senior executive and deputy managing director with the group until 1994. She then worked as an independent consultant and served on the boards of a number of investment management companies, listed investment trusts, other financial companies and charitable trusts, including the Stroke Association. Vivien is currently a non-executive director and audit committee chairman of The Lindsell Train Investment Trust plc, a non-executive director of Schroder Asia Pacific Fund plc and National Philanthropic Trust UK. She was appointed to the Board on 11 March 2019.

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 2019.

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 22) 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 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 23, together with their full biographies.

Ivo Coulson and Jonathan Wollett tendered their resignation as Directors of the Company on 30 November 2018 and 10 January 2019 respectively. Following these resignations, the Nomination Committee initiated a search for replacement Board members, with the assistance of an independent external executive search agency, Cornforth Consultancy. Consequently, the Nomination Committee recommended, and the Board approved the appointment of Christopher Granville to the Board with effect from 30 November 2018 and the appointment of Vivien Gould to the Board with effect from 11 March 2019.

In accordance with the policy adopted by the Board, all Directors will retire and seek annual re-election at the Company's forthcoming AGM. Vivien Gould 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, including with the AIFM.

The Board considers that, following recent performance evaluations, all of the current Directors contribute effectively and have the skills and experience relevant to the future of the Company. The Board therefore believes that it is in the best interests of the Shareholders that each Director is elected/re-elected.

The Board will consider the appropriateness of a policy on the tenure of the Chairman in view of the requirements of the new Association of Investment ("AIC") Code of Corporate Governance.

Indemnity of Directors

Pursuant to the Articles and 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.

Report of the Directors (continued)

Diversity

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

The Company's diversity policy acknowledges the benefits of greater diversity, including gender diversity. The Board is committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives.

Whilst the Board has adopted a diversity policy, which recognises the importance and benefits of greater diversity including that of gender, it does not consider that it would be appropriate to set diversity targets as all Board appointments are made on merit, in the context of skills, knowledge and experience required for the effectiveness of the Board, and against objective criteria.

Share Capital

As at 30 September 2019, the Company's total issued share capital was 15,757,504 ordinary shares (30 September 2018: 13,135,044), 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 in circulation 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 Directors' 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. There are no restrictions on the voting rights of the Company's shares.

Amendments to the Company's Articles of Association and the granting 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.

Share Issues

At last year's Annual General Meeting ("AGM"), the Directors were granted authority to allot ordinary shares up to an aggregate nominal amount of £65,137.88 (being 5% of the issued ordinary share capital).

This authority is due to expire at the Company's AGM on 23 January 2020. The Company has not issued any shares under this authority. Proposals for the renewal of this authority are set on pages 75 and 76.

Treasury Shares

Shares brought back by the Company may be held in treasury, from where they could be re-issued at a premium to NAV quickly and cost effectively. This provides the Company with additional flexibility in the management of its capital bases. No shares were purchased for treasury during the year or since the year end. The Company holds 3,318,207 ordinary shares in treasury.

Purchase of Own Shares

At last year's AGM, the Directors were authorised to make market purchases of up to 14.99% of the Company's ordinary shares, amounting to 1,952,833 shares. Since the AGM held on 10 January 2019 and the year end, the Company bought back 519,002 ordinary shares with a nominal value of 0.10 pence per share, and at a total cost of £4,035,098 under this authority. As at 30 September 2019, the remaining authority for the purchase of own shares is 1,433,831 shares. A total of 3,318,207 ordinary shares are held in treasury, representing 21.08% of the issued share capital at 5 December 2019.

The authority will expire at the next AGM when a resolution for its renewal will be proposed. See page 76.

Substantial Shareholdings

Information on major interests in shares provided to the Company under the Disclosure, Guidance and Transparency Rules are published via a Regulatory Information Service.

Report of the Directors (continued)

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

	At 30 September 2019	
Shareholder	**Number of ordinary shares notified**	**% Interest in share capital**
City of London Investment Management Company Limited	**2,926,546**	**23.4%**
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 been informed that, since the year end, City of London Investment Management Company Limited has increased its holding in the Company to 25.3% (3,143,213 shares).

Corporate Governance

The statement of Corporate Governance, as shown on pages 28 to 38, 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 29 to 35 and forms part of this report by reference.

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.

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

The Articles of Association permit the Board to consider and if it sees fit, to authorise situations where a Director has an interest that conflicts, or may conflict, with the interests of the Company. There is a formal process for the Board to consider authorising such conflicts, whereby the Directors who have no interest in the matter decide whether to authorise the conflict and conditions to be attached to such authorisations.

Companies Act 2006 Disclosures

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

- the Company's capital structure is summarised on page 62, voting rights are summarised on page 78, 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 26;
- 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 Act;

Report of the Directors (continued)

- there are no agreements to which the Company is party to that may affect its control following a takeover bid; and
- there are 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. Further details are set out on page 38.

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

Whilst the majority of Shareholders voted for the re-appointment of KPMG LLP as the Company's auditors at the AGM held on 10 January 2019 there were some votes against. In view of these Shareholder votes against, and given that KPMG LLP had been auditor to the Company since its inception in 2002, the Board tasked the Audit Committee to undertake an audit tender to replace them a year earlier than had been the original intention.

Following a competitive audit process, the Board appointed BDO LLP, to fill the casual vacancy in place of KPMG LLP, with effect from 14 June 2019. A resolution to appoint BDO LLP as auditor will be proposed at the forthcoming AGM.

The Board takes this opportunity to express its appreciation to KPMG LLP for their long service to the Company.

Further information on the audit tender can be found in the Audit Committee report.

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. Each Director has taken all reasonable steps that she or he ought to have taken as a Directors to make herself or himself aware of any relevant audit information and to establish that the Company' auditor is aware of that information.

Annual General Meeting

The AGM will be held on Thursday, 23 January 2020 at 2:30pm at the offices of the Investment Manager (20 Old Bailey, London EC4M 7BF). The formal notice of the AGM is set out on pages 75 and 76. 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.

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 (Frances Daley and Calum Thomson) who hold shares in the Company intend to do so.

Post Balance Sheet Events

There are no post balance sheet events to report.

Link Company Matters Limited
Secretary
5 December 2019

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.

The Listing Rules and the Disclosure Guidance and Transparency Rules ("Disclosure Rules") require listed companies to disclosure 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 recommendations of 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.

The Board notes the publication of the revised AIC Code in February 2019, which is applicable to the Company for the financial year ending 30 September 2020. The Board is developing its response to the new requirements and will report further in next year's Annual Report.

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.

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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	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. Frances is deemed independent by her fellow Board members. She considers herself to have sufficient time to commit to the affairs of the Company. There is a clear division of responsibility between the Chairman, the Directors, the AIFM and the Company's other third-party service providers. The Board has appointed Nadya Wells as the Senior Independent Director. She provides a channel for any Shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman.
2. The independence of Directors	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. 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 elected/re-elected, the Board is satisfied that these Directors, bring strong independent oversight and continue to demonstrate independence in judgement and character.
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	All Directors submit themselves for annual re-election by Shareholders at the Company's AGM. The individual performance of each Director is evaluated annually by the remaining members of the Board by way of questionnaires specifically designed to assess the strengths and independence of the Board, and the Chairman, individual directors and the performance of its committees. The whole Board, apart from the Chairman herself, evaluated the performance of the Chairman. 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 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 Vivien Gould.

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
4. The Board should have a policy on tenure, which is disclosable in the annual report	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. In view of the new AIC Code, the Board will reconsider its policy on tenure during 2020.
5. There should be full disclosure of information about the Board	The biographical details for each Director are set out on page 23 of this Report and demonstrate the wide range of skills, knowledge and experience they bring to the Board. Details of the Board's Committees and their composition are set out on pages 36 and 37 of this Report. The Audit Committee report is set out on pages 40 to 43 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. The Board considers that, due to its size and 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 44 to 47. The Nomination Committee report is set out on page 39 of this Report. The Nomination Committee membership comprises all the Non-Executive Directors. Formal terms of reference for these committee are available on the Company's website: http://www.beeplc.com 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.
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company	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. The experience, skills and knowledge of the current Directors is detailed in the biographies of the Directors, set out on page 23 of this Report. 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 have been set. Please refer to the Nomination Committee Report.

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Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors	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. The performance of the Chairman is evaluated by the other Directors on an annual basis. The Board carried out an evaluation of performance during 2019 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 its Committees and the individual performance of the Directors is undertaken. The performance of the Chairman was also evaluated by way of questionnaires. 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.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent	Details on the Directors' remuneration is contained in the Director's Remuneration Report on pages 44 to 47 of this Report. The Board 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. The Chairman of the Board is excluded from setting her own remuneration. Two 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. On appointment, new appointees will be paid a fee in accordance with the Remuneration Policy.
9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report	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. Please refer to the Nomination Committee Report on page 39 in respect of the process for the appointment of Christopher Granville and Vivien Gould.

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
10. Directors should be offered relevant training and induction	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. 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. 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. The annual Board evaluation process provides Directors with an opportunity to identify any training or development requirements. The Directors have access to the advice and services of the Company Secretary through its appointed representative.
11. The Chairman (and the Board) should be brought into the process of structuring a new launch as soon at an early stage	Principle 11 applies to the launch of new investment companies and is, therefore, not applicable to the Company.
12. Boards and managers should operate in a supportive, co-operative and open environment	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. 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.
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	At each meeting, the Board receives a report on the performance of the Company's portfolio from the Investment Manager. 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 NAV performance. It also reviews marketing and Shareholder communication strategies. 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. 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.

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Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
14. Boards should give sufficient attention to overall strategy	The Board is responsible for the strategy of the Company and monitors performance against its agreed strategy on an ongoing basis. The Board has agreed that it would meet regularly to focus exclusively on strategy and any other issues that require in-depth attention.
15. The Board should regularly review both the performance of, and contractual arrangements with, the manager	The Management and Engagement Committee, chaired by Nadya Wells, is responsible for carrying out a review of the overall performance of the Investment Manager and other third-party service providers of the Company. The Management and Engagement Committee comprises the entire Board. The Management Engagement Committee meets at least once a year. It reviews annually the performance of the Investment Manager The Committee considers the quality, cost and remuneration method of the service provided by the Investment Manager against its contractual obligations. 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. The Audit Committee reviews the Investment Manager's compliance and control systems in operation insofar as they relate to the affairs of the Company. 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.
16. The Board should agree policies with the manager covering key operational issues	Representatives of the Investment Manager attend each meeting of the Board to address questions on operational issues and specific matters. 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.
17. Board should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it	The Company's share price is monitored continually by the AIFM on a daily basis and is considered at each Board meeting. 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.
18. The Board should monitor and evaluate other service providers	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 and considers if a provider should be replaced.

Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
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	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. 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. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may email beeplccosec@linkgroup.co.uk. The Notice of Meeting sets out the business of the meeting. The Investment Manger 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.
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	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. The Board believes that sufficient information is available to Shareholders to understand the risk and 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. Details of the Principal Risks and their mitigation are set out on pages 7 and 8. The Investment Objective and Policy is set out on page 6. 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 16. 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 21. Details of the Fees payable to the AIFM are set out on pages 1 and 59. The ongoing charge is disclosed on page 2. The going concern and viability statements of the Company are set out on pages 26 and 21 and 22 respectively.

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Statement of Corporate Governance (continued)

AIC Code Principle	Compliance Statement
21. (Continued) 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	A full list of the portfolio of the Company is shown on page 17. 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. Details of the Company's borrowings are set out on page 6 and in the notes to the Financial Statements. Details of the Company's banking covenants are disclosed in note 16.

Chairman and Senior Independent Director

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

The Board

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. None of the Directors has a service contract, however, letters of appointment setting out the terms of their appointment are in place. Directors are not entitled to any compensation for loss of office. Copies of the letters of appointment are available on request from the Secretary and will be available at the AGM.

Board Operation

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
Frances Daley	4	4	5	5	3	3
Nadya Wells	4	4	5	5	3	3
Calum Thomson	4	4	5	5	3	3
Christopher Granville*	3	3	4	4	–	–
Vivien Gould**	2	2	4	4	–	–

** Appointed on 30 November 2018*
*** Appointed on 11 March 2019*

The Board also held one scheduled meeting of the Management Engagement Committee which all Directors attended.

Ad-hoc Board meetings were held during the year as required. Specifically, the Board met to approve the appointment of BDO LLP as the Auditor of the Company in place of KPMG LLP. A further Board meeting was held for the renewal of the loan facility with State Street Bank and Trust Company. Those Directors available at the time attended these meetings.

The Board also held its annual strategy meeting in June 2019, which all Board members attended.

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.

Statement of Corporate Governance (continued)

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.

Election/re-election of Directors

Under the Company's Articles and in accordance with the AIC Code, Directors are required to retire at the first AGM following their appointment. Thereafter, at each AGM all Directors will seek annual re-election.

Board 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.

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 Nomination Committee and Board.

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 three Committees in operation during the reporting period, and has delegated certain responsibilities to its Audit Committee, Management Engagement 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, Management Engagement Committee 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 Board.

The Directors' fees and Directors' Remuneration policy are detailed in the Directors' Remuneration report on pages 45 and 47 respectively.

Audit Committee

The Directors have appointed an Audit Committee consisting of the whole Board which is chaired by Calum Thomson FCA. 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. The Audit Committee Report can be found on pages 40 to 43.

Nomination Committee

The Nomination Committee consists of the whole Board and is chaired by Nadya Wells. 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 39.

Management Engagement Committee

The Management Engagement Committee comprises the whole Board and is chaired by Nadya Wells. The Committee meets at least annually to review of the performance of the AIFM and to consider any variance to the terms of the AIFM Agreement, and reports its findings to the Board. It also reviews the performance and terms of engagement of the Company's third-party service providers.

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Statement of Corporate Governance (continued)

The Committee met once following the year end to consider the performance of the Investment Manager and other third-party service providers over the preceding financial period.

Please see page 21 for the considerations of the Committee in reaching its recommendation to the Board about the continuing appointment of the Investment Manager.

Risk Management and Internal Controls

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.

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 Financial Statements.

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. Company 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 emerging 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 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 material third party are requested to provide a copy of their 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 7 and 8.

Relations with Shareholders

The Board regularly reviews the AIFM's contact 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 AGM 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, please email beeplccosec@linkgroup.co.uk.

Statement of Corporate Governance (continued)

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.

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 the Investment Manager's assessment of the risk factors, prior to making an investment in these classes, the Investment Manager will take into 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.

The Investment Manager makes use of an external agency, Glass Lewis & Co. ("Glass Lewis"), a recognised authority on proxy voting and corporate governance to assist on voting procedures. Glass Lewis gives recommendations which the Investment Manager assess and then votes in accordance with what they believe to be in the best interests of the Company.

By order of the Board

Frances Daley
Chairman
5 December 2019

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Nomination Committee Report

I am pleased to present the Nomination Committee Report for the year ended 30 September 2019.

This has been a busy year for the Committee with the retirement of Ivo Coulson on 30 November 2018 and Jonathan Woollett on 10 January 2019. 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. The Committee recommended the appointment of Christopher Granville and Vivien Gould to the Board.

Composition and Role of the Nomination Committee

The Nomination Committee comprises myself, as Chairman, and the entire Board, all being independent Non-Executive 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; and
- to review annually the time required from Non-Executive Directors.

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 engagement of an independent external search consultant to assist in providing a thorough 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 shortlist 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 and Vivien Gould to the Board.

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. It will also consider and review the appointment of the Chairman, and the Chairman will be excluded from these discussions,

During the year, the Committee held three scheduled meetings and held two additional meetings. All members attended these meetings. The Committee met twice post the year-end.

Nadya Wells
Chairman of the Nomination Committee
5 December 2019

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 30 September 2019.

The Audit Committee met on five occasions during the year and twice post the year end. During the year, the Audit Committee reviewed the Half Year Report and after detailed discussion recommended its approval to the Board.

The Audit Committee met in November 2019 on two occasions to review the Financial Statements and on the second occasion to receive the report from the external Auditor. After review and 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. The Audit Committee also 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.

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, BDO LLP, and representatives of the Auditor attend an Audit Committee meeting at least once a year. The Audit Committee meet with the external Auditor once during the year without the presence of the Investment Manager and Administrator.

At each Audit Committee meeting, the members discuss the emerging risks that may affect the Company. Amongst other topics, the impact of Brexit on the sterling exchange rate and the impact of sanctions imposed on Russia were considered.

Key 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.

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.

Audit Committee Report (continued)

One of the significant risks the Committee spend time considering 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. 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 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:

- conducted a competitive audit tender, and made a recommendation to the Board;
- 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; 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.

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 provided 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.

Regular risk assessments and reviews of internal controls are undertaken in the context of the Company's overall investment objective. The Board, through the Audit Committee, has identified risk management controls in four key areas: corporate strategy; published information and compliance with laws and regulations; relationships with service providers; and investment and business activities. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

Audit Committee Report (continued)

A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored. 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. This risk matrix is reviewed twice a year by the Audit Committee and at other times as necessary. The principal risks that have been identified by the Board are set out on pages 7 and 8.

The Board reviews financial information produced by the Manager and the Administrator on a regular basis. 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 third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit Committee, together with letters of comfort confirming that those controls were still in operation at the Company's year end.

Audit tender and appointment of auditor

KPMG LLP had been the independent auditor to the Company since its inception. In the first half of 2019, in view of Shareholder votes at the last AGM and the length of auditor tenure, the Committee carried out a competitive external audit tender process. Three firms were invited to tender, one of which declined the invitation to tender. Following a transparent and competitive tender, including written submission, presentations and discussions with two audit firms, the Audit Committee recommended to the Board the appointment of BDO LLP, whose audit firm has extensive experience in auditing investments trusts, to replace KPMG LLP. The Board accepted the recommendation and a resolution to appoint BDO LLP as Auditor to the Company is included in the notice of AGM.

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 2019 Audit Quality Report on the quality of audits performed by BDO LLP 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 provides a planning report in advance of the annual audit and a report on the annual audit. The Audit Committee has an opportunity to discuss any aspect of the Auditor's work, ask questions and challenge the Auditor.

Independence and Objectivity of the Auditor

The Audit Committee reviews the scope and nature of all proposed non-auditor services before engagement, to ensure the independence and objectivity of the auditor are safeguarded.

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 Auditor has not provided any non-audit services to the Company during the year under review.

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

Audit Fees and Non-Audit Services

An audit fee of £24,500 (exclusive of VAT) has been agreed in respect of the audit for the year ended 30 September 2019 (2018: £31,500).

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 BDO LLP in the year.

Tax Services

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

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Audit Committee Report (continued)

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 reply 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
5 December 2019

Directors' Remuneration Report

for the year ended 30 September 2019

This Report is prepared in accordance with the requirements 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 49 to 53.

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2019.

It is not considered appropriate for the Company to have a separate Remuneration Committee. It is therefore practice for the Board as a whole to approve Director's remuneration, 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 (the "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 forthcoming AGM.

A resolution to approve this Remuneration Report will also be proposed at the Company's forthcoming AGM.

During the year, the Nomination Committee carried out a review of the level of fees in accordance with the Remuneration Policy and made a recommendation to the Board. Directors' fees were last increased in January 2014. Following our annual review of Directors' fees against those of the Company's peer group and the average for similar-sized investment trusts, the Board has agreed that the Chairman's fee will increase to £36,000 per annum, the Audit Committee Chairman's fee to £30,000, the Senior Independent Director's fee to £28,000 and the fee for other Directors to £27,000 to align to current market levels. These changes are with effect from 1 January 2020.

There are no proposed changes to the approved Remuneration Policy and therefore there are no significant changes in the way the Policy will be implemented during the course of the next financial year, subject to Shareholder approval.

Any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Director's Remuneration Policy and in the annual review of Directors' fees.

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Directors' Remuneration Report (continued)

Directors' Emoluments for the Year (audited)

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

	Fees Paid (£)	
	2019 £'000	2018 £'000
Frances Daley	**33.0**	31.5
Nadya Wells	**25.0**	25.0
Calum Thomson	**27.5**	27.6
Christopher Granville *(appointed 30 November 2018)*	**20.9**	–
Vivien Gould *(appointed 11 March 2019)*	**13.9**	–
Steven Bates *(retired on 16 January 2018)*	**–**	9.8
Ivo Coulson *(retired 30 November 2018)*	**4.2**	25.0
Jonathan Woollett *(retired 10 January 2019)*	**7.0**	25.0
Total	**131.5**	143.9

The Directors are entitled to claim travel expenses to meetings. No additional fees are payable for membership of the Board's Committees, although Calum Thomson receives an additional fee of £2,500 for his responsibility as Audit Chairman. Nadya Wells receives an additional fee of £1,000 for her responsibility as Senior Independent Director.

Fees for any new Director appointed will be made in accordance with the Remuneration Policy. Fees payable in respect of subsequent years will be determined following an annual review.

Directors' Beneficial Interests (audited)

There is no requirement under the Company's Articles or the terms of appointment for Directors to hold shares in the Company.

The beneficial interests of the Directors and any persons closely associated in the shares of the Company are set out in the below table:

	At 30 September 2019	
Director	**Number of Ordinary Shares**	**% Interest in Share Capital**
Frances Daley	**6,000**	**0.048**
Nadya Wells	**–**	**–**
Calum Thomson	**5,764**	**0.046**
Christopher Granville	**–**	**–**
Vivien Gould	**–**	**–**

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

There is no requirement under the Company's Articles or the terms of appointment for Directors to hold shares in the Company.

Directors' Remuneration Report (continued)

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 2019 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 2019 £'000	Year ended 30 September 2018 £'000	Change £'000
Aggregate Directors' emoluments	132	144	(12)
Aggregate Shareholder distributions in respect of the year	4,490	4,541	(51)
Aggregate share buybacks	5,293	6,578	(1,285)

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 2018 was approved by Shareholders at the AGM held on 10 January 2019.

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	5,325,776	98.43%
Against	69,006	1.28%
At Chairman's discretion	15,822	0.29%
Total Votes Cast	5,410,604	–
Withheld	11,494	–

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. The terms of their appointment provide that Directors shall retire and be subject to election at the first AGM after their appointment. Thereafter they will be subject to annual re-election. Compensation will not be made for loss of office.

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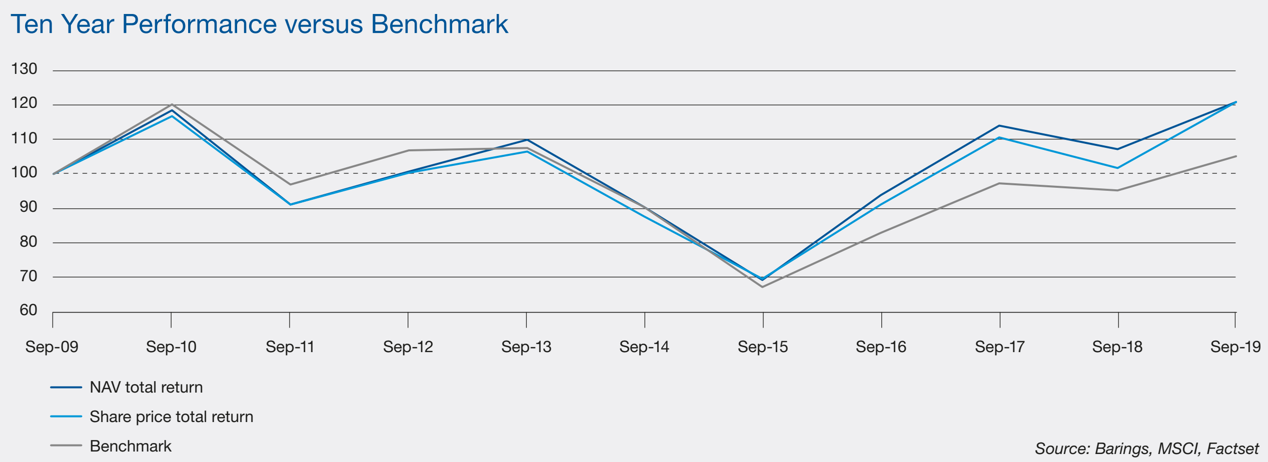
Directors' Remuneration Report (continued)

Share Price Performance (not audited)

The following graph compares the share price and NAV performance against the Benchmark:



Source: Barings, MSCI, Factset

Directors' Remuneration Policy

As detailed below, the Directors' Remuneration Policy (the "Policy") is put to Shareholders' vote at least once every three years and in any year if there is to be a change in Policy. A resolution to approve the Policy will be put to Shareholders' vote at the forthcoming AGM.

The 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.

Approval

The Directors Remuneration Report was approved by the Board of Directors on 5 December 2019 and signed on its behalf by:

Frances Daley
Chairman
5 December 2019

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.beeplc.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 23, confirm to the best of each person's knowledge:

- the Financial Statements prepared in accordance with the 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 Audited 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.

For and on behalf of the Board

Frances Daley
Chairman
5 December 2019

Independent Auditor's Report

to the members of Baring Emerging Europe plc

Opinion

We have audited the financial statements of Baring Emerging Europe plc (the 'Company') for the year ended 30 September 2019, which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report 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 or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

KEY AUDIT MATTER	How we addressed the key audit matter in the audit
Valuation and ownership of investments The investment portfolio at the year-end comprised of listed equity investments valued at £122m (note 1 b and note 9) We consider the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. We also consider the valuation of investments with respect to realised and unrealised gains/ losses to be a significant area as the reported performance of the portfolio is a key area of interest for the users of the financial statements Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We have responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: ■ checked the appropriateness of the valuation methodology applied by the investment manager and checked that the year-end price has been agreed to externally quoted prices from reputable sources; and ■ agreed the investment holdings to independently received third party confirmation from the custodian to confirm existence and completeness. We also considered the completeness, accuracy and clarity of investment-related disclosures. The gains/losses on investments held at fair value comprise realised and unrealised gains/ losses. For unrealised gains/losses we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and custodian's transaction report and we re-performed the calculation of a sample of realised gains/losses. **Key observations:** Based on our procedures performed we did not identify any exceptions with regards to the valuation and ownership of investments.

Our application of materiality

- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effects of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality for the financial statements as a whole was £1,160,000, which was based on 1% of net assets. In setting materiality, we had regard to the nature and disposition of the investment portfolio.
- Performance materiality, which represents a lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions, was £870,000 and represents 75% of overall materiality. We have set a lower testing threshold for those items impacting revenue return of £530,000, with a performance threshold of £400,000, which is based on 10% of revenue return before tax and 75% of this respectively.
- We agreed with the audit committee that we would report to the committee all individual audit differences in excess of £20,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report (continued)

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Company's transactions and balances which were most likely to give risk to a material misstatement.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, the UK Listing Rules, the DTR rules, FRS 102 accounting standards, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the audit committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the investment manager, administrator and the board, review of the reporting to the directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Independent Auditor's Report (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report (continued)

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the board on 14 June 2019 to audit the financial statements for the year ending 30 September 2019 and subsequent financial periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

5 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

(incorporating the Revenue Account*) for the year ended 30 September 2019

		Year ended 30 September 2019			Year ended 30 September 2018		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Notes	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Gains on investments held at fair value through profit or loss	9	**–**	**14,126**	**14,126**	–	(6,081)	(6,081)
Foreign exchange losses		**–**	**(371)**	**(371)**	–	(31)	(31)
Income	2	**6,315**	**–**	**6,315**	5,036	–	5,036
Investment management fee	3	**(173)**	**(693)**	**(866)**	(185)	(750)	(935)
Other expenses	4	**(765)**	**–**	**(765)**	(836)	–	(836)
Return on ordinary activities		**5,377**	**13,062**	**18,439**	4,015	(6,862)	(2,847)
Finance costs	5	**(77)**	**(308)**	**(385)**	(62)	(247)	(309)
Return on ordinary activities before taxation		**5,300**	**12,754**	**18,054**	3,953	(7,109)	(3,156)
Taxation	6	**(818)**	**–**	**(818)**	(565)	–	(565)
Return for the year		**4,482**	**12,754**	**17,236**	3,388	(7,109)	(3,721)
Return per ordinary share	8	**35.09p**	**99.87p**	**134.96p**	24.77p	(51.98)p	(27.21)p

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

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

The 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.

The annexed notes on pages 57 to 68 form part of these accounts.

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Statement of Financial Position

as at 30 September 2019

	Notes	**2019 £'000**	2018 £'000
Fixed assets			
Investments at fair value through profit or loss	9	**122,091**	114,825
Current assets			
Debtors	10	**217**	1,460
Cash and cash equivalents		**3,532**	1,706
		3,749	3,166
Current liabilities			
Creditors: amounts falling due within one year	11	**(10,054)**	(9,658)
Net current liabilities		**(6,305)**	(6,492)
Net assets		**115,786**	108,333
Capital and reserves			
Called-up share capital	12	**1,576**	1,646
Share premium account		**1,411**	1,411
Redemption reserve		**3,212**	3,142
Capital reserve		**105,158**	97,697
Revenue reserve		**4,429**	4,437
Total Shareholders' funds		**115,786**	108,333
Net asset value per share	13	**930.81p**	824.76p

The Financial Statements on pages 54 to 68 were approved by the Board on 5 December 2019 and signed on its behalf by:

Frances Daley
Chairman

Company registration number: 04560726

The annexed notes on pages 57 to 68 form part of these accounts.

Statement of Changes in Equity

for the year ended 30 September 2019

	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 2019						
Beginning of year	**1,646**	**1,411**	**3,142**	**97,697**	**4,437**	**108,333**
Return for the year	**–**	**–**	**–**	**12,754**	**4,482**	**17,236**
Buyback of own shares for cancellation	**–**	**–**	**–**	**(5,293)**	**–**	**(5,293)**
Transfer to capital redemption reserve	**(70)**	**–**	**70**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**(4,490)**	**(4,490)**
Balance at 30 September 2019	**1,576**	**1,411**	**3,212**	**105,158**	**4,429**	**115,786**

	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

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.

The annexed notes on pages 57 to 68 form part of these accounts.

Notes to the Accounts

for the year ended 30 September 2019

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 February 2018).

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 section 7, FRS 102 is presented.

The Financial Statements 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. 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 AIFM 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 currencies

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company’s share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value and denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. 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 either the capital or revenue column of the Income Statement depending on whether the gain or loss is of a capital or revenue nature respectively.

(d) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being the investment business.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short term deposits in banks.

(f) Income

Dividends receivable from equity shares are taken to revenue return on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature in which case it is taken to the capital return. Foreign dividends are gross of withholding tax. Bank deposit interest is taken to revenue reserve on an accruals basis.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(g) Expenses

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

- the basic investment management fee is charged 20% (2018: 20%) to revenue and 80% (2018: 80%) to capital;
- any investment performance bonus payable to the AIFM is charged wholly to capital;
- dealing costs are charged wholly to capital; and
- other expenses are charged wholly to revenue.

(h) Interest payable

Interest payable is accounted for on an accruals basis, and is charged 20% (2018: 20%) to revenue and 80% (2018: 80%) to capital. See notes 5 and 11.

(i) 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 the AIFM is accounted for in the capital reserve.

(j))Revenue reserve

The net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. This is available for paying dividends on the Income shares.

(k) 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 2019 was that all the deductions for tax purposes went to the revenue account.

Deferred taxation is recognised in respect of all timing differences 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. An asset will not be recognised to the extent that the transfer of economic benefit is uncertain.

(l) Dividends

Dividends are not recognised in the accounts unless there is an obligation to pay or have been paid. Dividends are included in the Statement of Changes in Equity.

(m) Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for through the income statement on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2. Income

	2019 **£'000**	2018 £'000
Income from investments:		
Overseas dividends – Quoted	**6,302**	5,028
Other income:		
Bank interest	**13**	8
Total income	**6,315**	5,036

All income stated above is revenue in nature.

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Notes to the Accounts (continued)

3. Investment management fee

Baring Fund Managers Limited has been appointed as the 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 (2018: 20%) and 80% to capital (2018: 80%)) which is calculated monthly and payable at an annual rate of 0.8% of the NAV of the Company.

The investment management fee comprises:

	2019	2018
	£'000	£'000
Basic fee (20% (2018: 20%) charged to revenue)	**173**	185
Basic fee (80% (2018: 80%) charged to capital)	**693**	750
	866	935

At 30 September 2019, £76,000 (30 September 2018: £75,000) of this fee remained outstanding.

4. Other expenses

	2019	2018
	£'000	£'000
Custody and administration expenses*	**608**	660
Auditor's remuneration for:		
– audit	**25**	32
Directors' remuneration	**132**	144
	765	836

* Included within administration expenses is £11,600 (2018: £13,600) of employee's National Insurance paid on Directors' remuneration.

5. Finance costs

	2019	2018
	£'000	£'000
On short-term loan and gearing facility with State Street Bank & Trust Company:		
Bank loan interest (20% (2018: 20%) charged to revenue)	**77**	62
Bank loan interest (80% (2018: 80%) charged to capital)	**308**	247
	385	309

6. Taxation

(a) Current tax charge for the year:

		2019			2018	
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Overseas taxation (note 6(b))	**818**	**–**	**818**	565	–	565

Notes to the Accounts (continued)

6. Taxation (continued)

(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:

	2019 Revenue £'000	**2019** Capital £'000	**2019** Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Return on ordinary activities before taxation	**5,300**	**12,754**	**18,054**	3,953	(7,109)	(3,156)
Return on ordinary activities multiplied by the standard rate of corporation tax of 19% (2018: 19%)	**1,007**	**2,423**	**3,430**	751	(1,351)	(600)
Effects of:						
Non taxable overseas dividends	**(1,197)**	**–**	**(1,197)**	(955)	–	(955)
Overseas withholding tax	**814**	**–**	**814**	565	–	565
Prior year adjustments	**4**	**–**	**4**	–	–	–
Capital gains not subject to tax	**–**	**(2,613)**	**(2,613)**	–	1,161	1,161
Non-trade loan relationship debts not utilised	**12**	**59**	**71**	10	47	57
Management expenses not utilised	**178**	**131**	**309**	194	143	337
Current tax charge for the year	**818**	**–**	**818**	565	–	565

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 £2,605,000 (2018: £2,266,000) based on the long term prospective corporation tax rate of 17.0% (2018: 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, all profits are non taxable in the UK due to the entity being an investment trust. It is not likely that this asset will be utilised in the foreseeable future.

7. Dividend on ordinary shares

	2019 £'000	2018 £'000
Final dividend (19p) paid for the year ended 30 September 2017	**–**	2,620
Interim dividend (14p) paid for the year ended 30 September 2018	**–**	1,921
Final dividend (20p) paid for the year ended 30 September 2018	**2,591**	–
Interim dividend (15p) paid for the year ended 30 September 2019	**1,899**	–
	4,490	4,541

The proposed final dividend of 20p for 2019 will be paid, subject to Shareholder approval at the AGM, on 14 February 2020 to Shareholders on the register when the shares are marked ex-dividend on 9 January 2020.

Notes to the Accounts (continued)

8. Return per ordinary share

	Revenue	**Capital**	**Total 2019**	Revenue	Capital	Total 2018
Return per ordinary share	**35.09p**	**99.87p**	**134.96p**	24.77p	(51.98)p	(27.21)p

Revenue return (earnings) per ordinary share is based on the net revenue on ordinary activities after taxation of £4,482,000 (2018: £3,388,000).

Capital return per ordinary share is based on net capital gain for the financial year of £12,754,000 (2018: net capital loss of £(7,109,000)).

These calculations are based on the weighted average of 12,770,923 (2018: 13,677,229) ordinary shares in issue during the year.

At 30 September 2019, there were 12,439,297 ordinary shares of 10 pence each in issue (2018: 13,135,044) which excludes 3,318,207 ordinary shares held in treasury (2018: 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 Total 2019 £'000**	Quoted Overseas Total 2018 £'000
Hungary	**2,637**	3,596
Czechia Republic	**1,631**	1,227
Poland	**20,100**	20,491
Russia	**74,505**	69,948
Turkey	**14,207**	11,296
Greece	**3,883**	1,993
Romania	**3,127**	3,375
Other	**2,001**	2,899
Total	**122,091**	114,825

9. (ii) Movements in the year

Book cost at beginning of year	**103,995**	109,045
Gains on investments held at beginning of year	**10,830**	22,175
Valuation at beginning of year	**114,825**	131,220
Movements in year:		
Purchases at cost	**54,954**	47,136
Sales proceeds	**(61,814)**	(57,450)
Gains on investments sold in year	**6,952**	5,264
Gains/(losses) on investments held at year end	**7,174**	(11,345)
Valuation at end of year	**122,091**	114,825
Book cost at the end of year	**104,087**	103,995
Gains on investments held at end of year	**18,004**	10,830
Valuation at end of year	**122,091**	114,825

Notes to the Accounts (continued)

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

Transaction costs on purchases for the year ended 30 September 2019 amounted to £44,000 (2018: £44,000) and on sales for the year they amounted to £48,000 (2018: £50,000).

A list of the Company's investments by market value is shown on page 17, and a geographical classification and industrial classification of the investment portfolio are shown on pages 12 and 13.

10. Debtors

	2019 £'000	2018 £'000
Amounts due within one year		
Amounts due from brokers	**–**	1,065
Prepayments and accrued income	**187**	377
Other debtors	**30**	18
	217	1,460

11. Creditors

	2019 £'000	2018 £'000
Amounts falling due within one year		
Bank loans	**9,738**	9,202
Amounts outstanding to brokers due to the buyback of own shares	**–**	113
Other creditors	**316**	343
	10,054	9,658

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 2019 was US$12 million (at 30 September 2018: US$12 million) which is repayable on 8 April 2020, interest is charged at the rate of LIBOR plus 3.527%

12. Called-up share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid up		
15,757,504 (2018: 16,453,251) ordinary shares of 10 pence (fully paid)	**1,576**	1,646

During the year, 695,747 ordinary shares were repurchased for cancellation for £5,293,000 (2018: 893,935 ordinary shares were repurchased for cancellation for £6,578,000). 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 (2018: 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 17,753 shares have been repurchased for cancellation.

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Notes to the Accounts (continued)

13. Net asset value per share

Total Shareholders' funds and the NAV per share attributable to the ordinary Shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2019	2018
Total Shareholders' funds (£'000)	**115,786**	108,333
NAV (pence per share)	**930.81p**	824.76p

The NAV per share is based on total Shareholders' funds above, and on 12,439,297 ordinary shares in issue at the year end (2018: 13,135,044 ordinary shares in issue) which excludes 3,318,207 ordinary shares held in treasury (2018: 3,318,207 ordinary shares held in treasury). The ordinary shares held in treasury are treated as not being in issue when calculating the NAV 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 2018	**88,422**	**9,275**	**97,697**
Net gains on disposal of investments	**6,952**	**–**	**6,952**
Repurchase of share costs	**(5,293)**	**–**	**(5,293)**
Net movement in unrealised appreciation of investments	**–**	**7,174**	**7,174**
Losses on foreign exchange	**173**	**(544)**	**(371)**
Management fees charged to capital	**(693)**	**–**	**(693)**
Finance charges charged to capital	**(308)**	**–**	**(308)**
At 30 September 2019	**89,253**	**15,905**	**105,158**

	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

* Considered distributable.

Notes to the Accounts (continued)

15. Financial commitments

At 30 September 2019, there were no outstanding capital commitments (2018: £nil).

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 AIFM

The Company is required to provide additional information concerning its relationship with the AIFM. Details of the investment management fee charged by the 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 45.

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 7 and 8. 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 2018. 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.

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Notes to the Accounts (continued)

18. Risk management policies and procedures (continued)

(b) Currency risk (continued)

Foreign currency exposures

At 30 September 2019, monetary assets included cash balances totalling £3,532,000 (2018: £1,706,000) that were held predominantly in US Dollars.

At 30 September 2019, monetary liabilities included a bank loan totalling £9,738,000 (2018: £9,202,000) that was due in US Dollars. If sterling had weakened/strengthened by an average of 10%, this would have had an effect of +/- £973,800.

At 30 September 2019 and at 30 September 2018, 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:

	2019 £'000	2018 £'000
Income statement – profit after taxation:		
Revenue return – increase	**449**	336
Capital return – increase	**12,209**	11,483
Total	**12,658**	11,819

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

	2019 £'000	2018 £'000
Income statement – profit after taxation:		
Revenue return – decrease	**(449)**	(336)
Capital return – decrease	**(12,209)**	(11,483)
Total	**(12,658)**	(11,819)

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 2019 (and 30 September 2018) 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 2019 of financial assets and financial liabilities to floating interest rates is shown below:

	2019 Total (within one year) £'000	2018 Total (within one year) £'000
Exposure to floating interest rates:		
Cash at bank	**3,532**	1,706
Creditors:		
Borrowings under bank loan facility	**(9,738)**	(9,202)
	(6,206)	(7,496)

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

Concentration of exposure to other price risk

An analysis of the Company weighting versus Benchmark and a sector breakdown and geographical allocation of the portfolio is contained in the Investment Manager's Report on pages 12 and 13.

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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 2019 £'000	**Decrease in fair value 2019 £'000**	Increase in fair value 2018 £'000	Decrease in fair value 2018 £'000
Income statement – profit after taxation:				
Capital return – increase/(decrease)	**12,209**	**(12,209)**	11,483	(11,483)
Total profit after taxation other than arising from interest rate or currency risk – increase/(decrease)	**12,209**	**(12,209)**	11,483	(11,483)
Equity	**12,209**	**(12,209)**	11,483	(11,483)

(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, which was fully drawn down to the sterling equivalent value of £9,738,000 (2018: £9,202,000) as at 30 September 2019.

Liquidity risk exposure

The contractual maturities of the financial liabilities at 30 September 2019, based on the earliest date on which payment can be required were as follows:

	2019 Total (due within one year) £'000	2018 Total (due within one year) £'000
Bank loan	**9,738**	9,202
Other creditors and accruals	**316**	456
	10,054	9,658

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 a 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:

Financial assets at fair value through profit or loss at 30 September 2019:	**Level 1 £'000**	**Total 2019 £'000**
Equity investments	**122,091**	**122,091**
Total	**122,091**	**122,091**

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

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 2019).
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 2019).

The valuation techniques used by the Company are explained in the accounting policies note on page 57.

19. Subsequent events

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

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 2019.

Remuneration Policy

The Investment Manager's Remuneration Policy ensures the remuneration arrangements as defined in ESMA's "Guidelines on Sound Remuneration Policy under AIFMD" (ESMA 2016/411) (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 AIFMD Remuneration Codes (SYSC 19B) and complies with the remuneration principles in a way and to the extent appropriate to its size and business.

Remuneration Committee

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

The Investment Manager forms part of the Barings Europe Limited (UK) group of companies ("Barings"). Barings has 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 ensures that potential conflicts arising from remuneration are managed and mitigated appropriately.

Remuneration Code Staff

The Investment Manager has determined its Remuneration Code Staff as the following:

1. Senior management

Senior Management comprises the Board of Directors and all members of the European Management Team ("EMT").

All control functions detailed in section 2 below are also senior managers.

AIFMD Disclosures (continued)

2. Control Functions

The Investment Manager's control functions include the Heads of Risk, Compliance, Legal, Operations, Internal Audit, HR and Finance along with other heads of department in the Executive Committee and the Money Laundering Reporting Officer.

3. Risk Takers

Risk Takers are defined as the investment managers of the Fund. Investment managers do not work for the Investment Manager directly as the Investment Manager delegates portfolio management to Barings Asset Management Limited ("BAML"). Accordingly, the Investment Manager currently has no risk takers outside of senior management.

BAML is as a BIPRU firm and subject to the Capital Requirements Directive ("CRD") which has equivalent remuneration rules.

4. Employees in the same remuneration bracket as risk takers

The Investment Manager will not treat a person as Remuneration Code Staff if a person's professional activities do not have a material impact on the risk profiles of the firm or the Funds. Accordingly, the Investment Manager currently has no staff in this category.

5. Staff responsible for heading the investment management, administration, marketing and human resources

To the extent that the Investment Manager's staff fall within this category, they are also control function staff falling within (2) above.

Remuneration Disclosure

The disclosure below details fixed and variable remuneration paid to BFM staff and BFM Remuneration Code Staff.

	Number of Beneficiaries	Total Fixed Remuneration for the period	Total Variable Remuneration for the period	Total Remuneration
Total remuneration paid by BFM in relation to the Fund*	16	£9,934	£36,010	£45,944
Total Senior Management Remuneration paid by BFM**	16	£255,749	£818,297	£1,044,045

The Investment Manager's Remuneration Policy is reviewed annually both in respect of the general principles it contains and its own implementation. For 2018 the policy was updated to align it to the Barings group policy. The 2018 review resulted in some changes to the remuneration approach and disclosure; no irregularities were identified.

The above disclosures are made in line with Barings' interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops, Barings may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other Barings fund disclosures in that same year.

Notes:

*The Investment Manager does not make any direct payments to staff, who are paid by other Barings Group entities. Figures shown are apportioned on a fund AUM basis as a proportion of Barings total AUM as at the end of the accounting year. Accordingly, the figures are not representative of any individual's actual remuneration.

**Senior management remuneration is apportioned on the basis of the Investment Manager's total AUM as a proportion of Barings' total AUM.

Variable remuneration consists of Short Term Incentive awards, Long Term Incentive awards and any other variable payments including benefits in kind and discretionary pension awards.

The Fund does not pay performance fees.

There has been no award of carry interest in the period.

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Glossary of Terms

Alternative performance measures (APM) are denoted by an (#) below:

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined within the Company's financial reporting framework.

Annual Management Charge (AMC)

A management fee is a charge levied by an investment manager for managing an investment fund intending to compensate the manager for their time and expertise in selecting stocks and managing the portfolio.

Annualised Net Asset Value (NAV) Total Return#

A measure showing how the net asset value (NAV) per share has performed over the year, including both capital returns and dividends paid to shareholders.

Average Discount#

The average that the Ordinary share price is lower than the net asset value per Ordinary share over a predefined period. The discount is normally expressed as a percentage of the net asset value per share. NAV minus share price divided by NAV.

Average Discount (Annual)#

This is the average discount over one year.

Carbon Emissions (Scope 1 & 2)

Scope 1 greenhouse gas emissions arise from direct fuel combustion from sources owned or controlled by the company (i.e. as in a furnace or vehicle).

Scope 2 greenhouse gas emissions are caused by the generation of electricity purchased by the company.

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. The annualised Benchmark movement represents the percentage movement in the Benchmark over the year.

Cost of Equity (COE)

The cost of equity (COE or Discount Rate) is the minimum rate of return which an equity investor will expect to be compensated for investment risk.

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.

Dividend Pay-out Ratio#

The ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. Calculated by dividing the Dividends Paid by Net Income.

Dividend Reinvested Basis

Applicable to the calculation of return, this calculates the return by taking any dividends generated over the relevant period and reinvesting the proceeds to purchase new shares and compound returns.

Dividend Yield#

The annual dividend expressed as a percentage of the current market price. (See Chairman's Statement on page 4).

EMEA

Europe, Middle East and Africa (EMEA) is a geographic region.

Emerging Markets

An emerging market economy is a developing nation that is becoming more engaged with global markets as it grows. Countries classified as emerging market economies are those with some, but not all, of the characteristics of a developed market.

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.

Frontier Markets

A Frontier market is a country that is more established than the least developed countries globally but still less established than the emerging markets because it economy is too small, carries too much inherent risk, or its markets are too illiquid to be considered an emerging market.

Glossary of Terms (continued)

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 (A) divided by Total Shareholders Funds (B). This can be found on page 55:
Gross method = 105% (A = £122,091,000/ B = £115,786,000) x 100.

The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure. Investments (A) plus current assets (C) divided by Total Shareholders' funds (B). This can be found on page 55: Commitment method = 109% (A = £122,091,000) + (C = Cash £3,532,000 + Debtor £217,000) / B = £115,786,000) x 100.

Gross Assets

Aggregate of all the Company's exposures including Gearing.

Growth at a Reasonable Price (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.

Idiosyncratic Risk

Idiosyncratic or "Specific risk" is a risk that is particular to a company.

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 period end.

Ongoing Charges Figure (OCF)#

The Ongoing Charge Figure is an accurate measure of what it costs to invest in a fund. It is made up of the Annual Management Charge (AMC) and a variety of other operating costs. These charges cover the cost of running the fund.

Ongoing charges for the year = management fees of £866,000 + other operating expenses of £765,000 = £1,631,000 (see notes 3 and 4, page 59).

Average daily Shareholders' fund for the year = £109,623,000
£1,631,000/£109,623,000 = 1.49%.

Return (per ordinary share)#

The return per ordinary share is based on the revenue/capital earned during the year divided by the weighted average number of shares in issue during the year.

Relative Returns

Relative return is the difference between investment return and the return of a benchmark.

Risk-adjusted Returns

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

Return on Equity (ROE)

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. This measure is used to understand how effectively management is using a company's assets to create profits.

Share Price

The price of a single share of a company. The share price is the highest amount someone is willing to pay for the stock, or the lowest amount that it can be bought for. The annualised share price movement is equivalent to the percentage movement of the share price over the year.

Systematic Risk

Systematic risk or "Market risk" is the risk inherent to the entire market or market segment, not just a particular stock or industry.

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.

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Directors and Officers

Directors
Frances Daley, Chairman
Nadya Wells
Calum Thomson
Christopher Granville *(appointed on 30 November 2018)*
Vivien Gould *(appointed on 11 March 2019)*

Ivo Coulson *(retired on 30 November 2018)*
Jonathan Woollett *(retired on 10 January 2019)*

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

Company Secretary
Link Company Matters Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Company number
4560726

Alternative Investment Fund Manager
Baring Fund Managers Limited
20 Old Bailey
London EC4M 7BF

Telephone: 020 7628 6000
Facsimile: 020 7638 7928

Auditor
BDO LLP
150 Aldersgate Street
London EC1A 4AB

Depositary
State Street Trustees Limited
20 Churchill Place
Canary Wharf
London E14 5HJ

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

Administrator
Northern Trust Global Services SE
50 Bank Street
Canary Wharf
London E14 5NT

Telephone: 0207 982 2000

Registrars and transfer office
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300
Overseas: +44 371 664 0300
(Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom are charged at the applicable international rate.)

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

Email: enquiries@linkgroup.co.uk

Broker
JP Morgan Cazenove
25 Bank Street
Floor 29
Canary Wharf
London E14 5JP

Website
www.beeplc.com

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

Shareholder Information

Company Number
04560726

ISIN
GB0032273343

LEI
213800HLE2UOSVAP2Y69

SEDOL
3227334

Share Dealing
Shares can be traded through your usual stockbroker.

Share Register Enquiries
The register for the Ordinary Shares is maintained by Link Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 or on +44 (0)371 664 0300 from outside the UK (calls cost 12p per minute plus your phone company's access charge; calls outside the UK will be charged at the applicable international rate). Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Asset Services, Shareholder Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Electronic Communications from the Company
Shareholders now have the opportunity to be notified by email when the Company's Annual Report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company. If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 73. Please have your investor code to hand.

If you hold shares via a nominee, it is the responsibility of the nominee to provide you with copies of the Annual Report.

NAV Information
The Company releases its NAV per share daily to the LSE.

Share Price
The Company's shares are listed on the LSE.

Annual and Half Year Reports
Copies of the Annual and Half Year Reports are available on the Company's website, www.beeplc.com, or from the Secretary on telephone number 01392 477500.

Association of Investment Companies
The Company is a member of the Association of Investment Companies.

Financial Calendar*

	Date
Annual General Meeting for 2019	23 January 2020
Announcement of interim results	May
Announcement of final results	November
Interim dividend	May
Annual dividend	November

*These dates are provisional and subject to change.

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 Baring Emerging Europe Plc (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, 23 January 2020 at 2:30pm to consider and, if thought fit, pass the following resolutions, of which numbers 1 to 12 will be proposed as ordinary resolutions, and numbers 13 to 15 as special resolutions:

Ordinary Resolutions

1. **To receive and adopt the Strategic Report, Directors' Report, Auditor's Report and audited Financial Statements for the year ended 30 September 2019.**

2. **To receive and approve the Directors' Remuneration Report for the year ended 30 September 2019.**

3. **To approve the Directors' Remuneration Policy set out on page 47 of the Remuneration Report.**

4. **To approve a final dividend for the year ended 30 September 2019 in the sum of 20 pence per ordinary share.**

5. **To re-elect Frances Daley as a Director of the Company.**

6. **To re-elect Nadya Wells as a Director of the Company.**

7. **To re-elect Calum Thomson as a Director of the Company.**

8. **To re-elect Christopher Granville as a Director of the Company.**

9. **To elect Vivien Gould as a Director of the Company.**

10. **To appoint BDO LLP as Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the Financial Statements are laid before Shareholders.**

11. **To authorise the Audit Committee to determine the remuneration of the Auditor of the Company.**

12. **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 £62,107.72, (being approximately 5% of the issued share capital of the Company as at 5 December 2019 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

13. **Authority to disapply pre-emption rights on allotment of ordinary shares**
THAT subject to the passing of resolution 12 above, the Directors of the Company 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

Notice of Annual General Meeting (continued)

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:

(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 12 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 £62,107.72;

such power to apply until the earlier of the conclusion of the annual general meeting of the Company in 2021 or 23 July 2021, 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.

14. 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 1,861,989 (being approximately 14.99% of the issued share capital of the Company as at 5 December 2019 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 2021 or 23 July 2021, 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.

15. 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
5 December 2019

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

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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. 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 21 January 2020 (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. Members can appoint a proxy online at: www.signalshares.com. In order to appoint a proxy using this website, members will need their Investor Code, which they can find on their share certificate. If you need help with voting online, please contact our Registrar, Link Asset Services, on 0871 664 0391 if calling from the UK, or +44 (0) 371 664 0300 if calling from outside of the UK, or email Link at enquiries@linkgroup. co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. We are open between 9:00am and 5:30pm, Monday to Friday excluding public holidays in England and Wales. You may request a hard copy form of proxy directly from the Registrar by telephone on 0871 664 0300.

   To be valid, a Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the time of the Annual General Meeting or any adjournment of that meeting.

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 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,

Notes to the Notice of Annual General Meeting (continued)

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 5 December 2019, the Company's issued voting share capital and total voting rights amounted to 15,739,751 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 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.beeplc.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

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 23 January 2020 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 Vivien Gould as a Director (Resolution 9)
Please see below for Vivien Gould's biography.

Vivien has worked in the financial services sector since 1981. She was a founder director of River & Mercantile Investment Management Limited (1985) and served as a senior executive and deputy managing director with the group until 1994. She then worked as an independent consultant and served on the boards of a number of investment management companies, listed investment trusts, other financial companies and charitable trusts, including the Stroke Association. Vivien is currently a non-executive director and audit committee chairman of The Lindsell Train Investment Trust plc, a non-executive director of Schroder Asia Pacific Fund plc and National Philanthropic Trust UK. She was appointed to the Board on 11 March 2019.

Authorities to allot shares and to disapply pre-emption rights (Resolutions 12 and 13)
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 £62,107.72 (representing 621,077 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 5 December 2019, being the latest practicable date prior to publication of the notice of meeting on pages 75 and 76 (the "Notice"). As at the date of the Notice, 3,318,207 ordinary shares are held by the Company in treasury, representing 21.08% of the issued share capital (excluding treasury shares).

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 13 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 £62,107.72. This amount represents 621,077 shares and is approximately 5% of the total share capital of the Company in issue (excluding treasury shares) as at 5 December 2019, 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 12 and 13 are approved, the authorities will expire at the conclusion of the AGM in 2021.

Authority to purchase own shares (Resolution 14)
At the AGM held on 10 January 2019, 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 517,344 shares were purchased and cancelled during the year under review. This represented 3.28% of the issued share capital at 30 September 2019. The total cost amounted to £4,035,098. A further 4,438 shares have been brought back since the Company's year-end.

Explanation of Notice of Annual General Meeting (continued)

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 1,861,989 ordinary shares as at 5 December 2019, being the latest practicable date prior to publication of the Notice. In accordance with the Listing Rules, 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 2021 or 23 July 2021, unless such authority has been renewed prior to such time.

Notice period for general meetings (Resolution 15)
Resolution 15 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 2021, 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.

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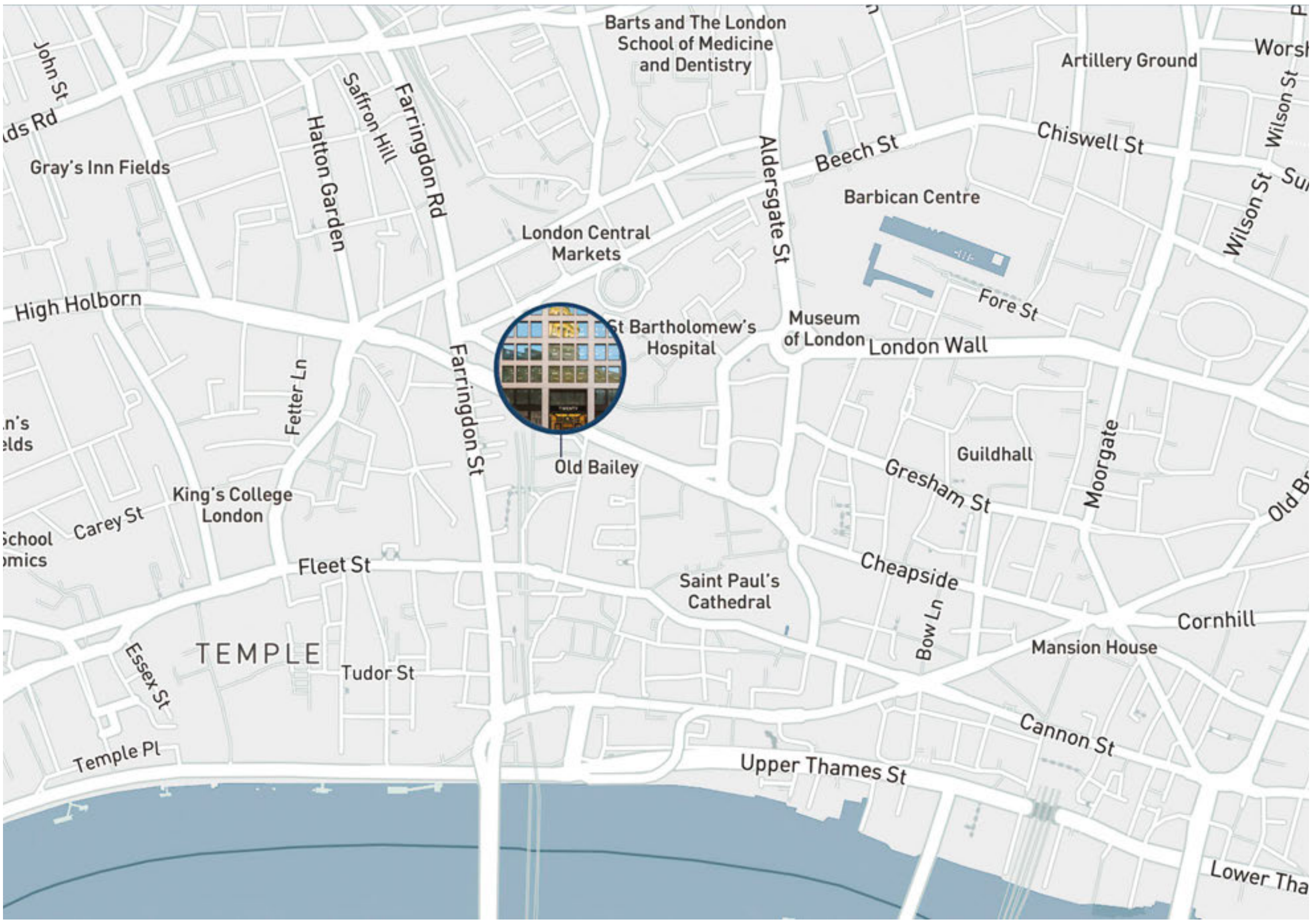
Location Map for Annual General Meeting



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