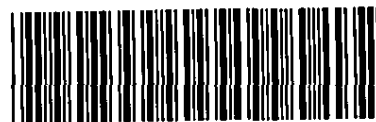


Baring Investment Services Limited

Registration Number 2259590

**Director's Report And Financial Statements
For The Year Ended
31 December 2007**

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Baring Investment Services Limited

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Baring Investment Services Limited

Company Information

Director

Baring Asset Management Limited

Secretaries

R J Dillman

H J Sundstrum (resigned 24 May 2008)

S A F Murphy (resigned 25 January 2007)

S Okoro (appointed 24 May 2008)

Company Registration Number

2259590

Auditors

KPMG Audit Plc

Canary Wharf

1 Canada Square

London

E14 5AG

Baring Investment Services Limited

Director's Report

Baring Asset Management Limited, the director, presents the annual report and audited financial statements of Baring Investment Services Limited (the "Company") for the year ended 31 December 2007

Principal activity

The principal activity of the Company is, and will continue to be, the provision of administrative services to other group companies

Business review

The loss for the year amounted to £37,557 (2006 profit, £746,263) At the year end, the Company's net asset position had decreased by £37,557 and its investments in tangible fixed assets had decreased by 11% from £6,579,223 to £5,825,705 due to additions being less than the depreciation charge for the year

Key performance indicators

The Company forms part of the Baring Asset Management Group ("the Group") and key performance indicators (KPIs) are reported to management and monitored at group level on a monthly basis The following KPIs relate to the Company only

	2007	2006
	£	£
Turnover	28,786,830	27,079,563
Profit before taxation	99,994	946,563
Net assets	1,053,917	1,091,474

Risk management

The Group manages its risks on a group-wide basis and in accordance with a framework of processes approved by the BAML Management Committee (BMC) The Organisational Risk and Compliance Committee (ORCC), which derives its delegated authorities from the BMC, is responsible for reviewing and monitoring the implementation of the Group's risk management processes and controls The Organisational Risk department supports the ORCC in the identification, assessment and monitoring of risk across the Group's global operations

The principal risks and uncertainties facing the Group are considered to be

i) Strategic risks

The most significant strategic risks facing the group are a decline in business due either to

- External factors, such as a significant fall in markets, or
- Internal factors, for example a substantial period of poor investment management performance

The Group manages these risks by offering a widely distributed range of products, both by asset class and geographical spread, by changing or adapting its product offering to meet market conditions and needs, and by monitoring and reviewing investment performance on a regular ongoing basis

ii) Operational risks

The most significant operational risks facing the Group are

- **Competitive risk** The Group operates in a competitive environment in which general market conditions, competitor behaviour and client requirements are constantly changing, both from a product performance, product development and service level perspective The performance of the Group's products is monitored, reviewed and assessed on an ongoing basis Client requirements are considered through regular liaison with our larger clients All client feedback received is recorded and reviewed
- **Loss of key staff** The knowledge, skills and experience of the Group's employees are critical to the organisation's continued success The retention of key staff is of vital importance in ensuring that investment performance and client service standards are maintained The Group's Human Resources (HR) policies are designed to recruit and maintain the highest possible quality of this resource
- **Significant transaction processing incident** A range of operational process and system-based controls are in place to mitigate this risk

Director's Report (continued)

ii) Operational risks (continued)

- Disaster event / major business disruption The Group has comprehensive disaster recovery and business continuity plans in place covering all business-critical operations. These arrangements are reviewed and tested on a regular basis.

As a provider of administrative services to fellow Barings group companies, the principal risk to the Company's business is that the fellow group companies are adversely affected by the significant strategic and operational risks noted above.

Dividends

The director does not propose the payment of a dividend (2006 £nil)

Employment policies

The director is committed to equal opportunities with the clear intention that individuals should be judged on their merits and capabilities regardless of sex, age, race, religion, ethnic origin or disability.

The director places considerable emphasis and value on the Company's policy of encouraging internal communication between employees and management. Employees are kept informed on matters which affect them and on the performance of the business as a whole through bulletins, newsletters and managers' briefing sessions.

The director attaches a high priority to developing the skills of all employees and to their training and, where necessary, their retraining. The performance assessment system assists management in career development and succession planning. Promotion from within the Company is strongly supported.

The Company encourages the involvement of all of its employees in its overall performance and profitability through discretionary bonus and profit sharing incentive schemes, which are based on the financial results of the Company and other subsidiary companies of Baring Asset Management Limited.

Director

The director shown on page 2 served throughout the year.

Director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the director is also responsible for preparing a Director's Report that complies with that law.

Baring Investment Services Limited

Director's Report (continued)

Disclosure of information to auditors

The directors who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Director's emoluments

The director did not receive any fees for qualifying services (2006 £nil)

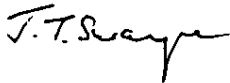
Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

Insurance for directors

Massachusetts Mutual Life Insurance Company has purchased directors' and officers' insurance in respect of directors of all group subsidiaries

By order of the Board



J T Swayne
For and on behalf of Baring Asset Management Limited, Director
26 March 2008

Baring Investment Services Limited

Independent Auditors' Report to the Members of Baring Investment Services Limited

We have audited the financial statements of Baring Investment Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Date

26 March 2008

Baring Investment Services Limited

**Profit and Loss Account
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
Income	2	28,786,830	27,079,563
Administrative expenses	3	<u>(28,729,829)</u>	<u>(26,176,639)</u>
Operating profit		57,001	902,924
Other interest receivable and similar income		<u>42,993</u>	<u>43,639</u>
Profit on ordinary activities before taxation		99,994	946,563
Tax on profit on ordinary activities	5	<u>(137,551)</u>	<u>(200,300)</u>
(Loss)/profit for the year	14	<u>(37,557)</u>	<u>746,263</u>

The notes on pages 9 to 14 form part of these financial statements

All the results arise from continuing operations

Baring Investment Services Limited

Balance Sheet as at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	6	17,028	85,080
Tangible assets	7	<u>5,825,705</u>	<u>6,579,223</u>
		5,842,733	6,664,303
Current assets			
Debtors	8	5,268,662	8,325,138
Cash at bank and in hand		<u>268,332</u>	<u>1,413,027</u>
		5,536,994	9,738,165
Creditors: Amounts falling due within one year	9	(10,325,810)	(15,310,994)
Net current liabilities		<u>(4,788,816)</u>	<u>(5,572,829)</u>
Net assets		<u>1,053,917</u>	<u>1,091,474</u>
Capital and reserves			
Called up share capital	12	200	200
Share premium account	13	3,368,926	3,368,926
Profit and loss account	13	(2,315,209)	(2,277,652)
Shareholders' funds		<u>1,053,917</u>	<u>1,091,474</u>

The notes on pages 9 to 14 form part of these financial statements

The financial statements were approved by the director and signed on its behalf by



J T Swayne
For and on behalf of Baring Asset Management Limited, Director
26 March 2008

Baring Investment Services Limited

Notes to the Financial Statements

l Accounting policies

a Basis of accounting

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Massachusetts Mutual Life Insurance Company which prepares consolidated financial statements, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed separately transactions or balances with entities which form part of the Massachusetts Mutual Life Insurance Group. There were no other related party transactions.

b Income

Income is accounted for on an accruals basis and relates to the recovery of costs incurred.

c Depreciation

Depreciation is provided on a straight line basis to spread the cost of fixed assets over their expected useful lives as follows:

Leasehold property	Not depreciated if lease is greater than 100 years over the remainder of the lease term if shorter
Leasehold improvements	10 years
Furniture & fittings	10 years, except paintings, which are not depreciated
Motor vehicles	4 years
Computer equipment	3-4 years

d Taxation

Deferred tax is recognised in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

e Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

f Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date and gains or losses on translations are included in the profit and loss account. Transactions that are effected in foreign currency are translated into sterling at the rate applicable on the date of the transaction.

g Post-retirement benefits

On 1 April 2005 all employees became defined contribution members of the Baring Asset Management Retirement Plan ("the Plan"). Defined contributions are charged to profits in respect of the current accounting period. The assets of the Plan are held separately from those of the Company in independently administered funds.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

h Research and development

Where it is considered that expenditure on research and development will bring an ongoing benefit to the Company, the expenditure is capitalised and amortised to the profit and loss account over four years. All other expenditure on research and development is written off to the profit and loss account in the year it is incurred.

i Retention service awards

In conjunction with the acquisition of the company by Massachusetts Mutual Life Insurance Company, the Company has committed to certain retention payments for senior members of staff. Retention awards have been made in September 2005, September 2006 and September 2007. All retention service awards are expensed evenly from the acquisition date to the date the award is paid.

j Deferred compensation

The Company makes deferred compensation awards to some senior members of staff. The deferred compensation awards are expensed evenly over the period from the date that the award is granted to the date the award is paid.

k Financial risk management

Under Financial Reporting Standard No 29 the Company is exempt from the requirement to disclose its financial risk management policies, because it is a wholly owned subsidiary of Baring Asset Management Limited, which discloses the financial risk management policies for the Barings group as a whole.

2 Income

	2007 £	2006 £
Recovery of costs incurred on behalf of group undertakings	28,772,646	25,324,072
Other income	14,184	1,755,491
	<u>28,786,830</u>	<u>27,079,563</u>

3 Administrative expenses

	2007 £	2006 £
Auditors' remuneration		
- Audit of these financial statements	75,810	72,200
- Other audit services	58,000	1,475
Depreciation	2,334,629	3,010,322
Operating lease rentals	3,692,833	2,849,808
Other operating expenses	22,568,557	20,242,834
	<u>28,729,829</u>	<u>26,176,639</u>

Baring Investment Services Limited

Notes to the Financial Statements (continued)

4 Employees

The average number of staff employed in management and administration by the Company during the year ended 31 December 2007 was 160 (2006 149). These employees are legally employed by Baring Asset Management Limited and their respective costs are recharged to the relevant group company. Aggregate remuneration of all employees was

	2007 £	2006 £
Salaries	9,787,220	8,918,789
Social security costs	1,058,430	953,692
Other pension costs	1,279,865	1,202,438
	<u>12,125,515</u>	<u>11,074,919</u>

5 Taxation

	2007 £	2006 £
a) Analysis of the charge in the year		
<i>Current tax</i>		
UK corporation tax at 30% (2006 30%)		
Current year	78,038	392,328
Over accrued in prior year	(15,471)	(39,443)
Total current tax	<u>62,567</u>	<u>352,885</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences		
Current year	61,101	(99,930)
Prior year	13,883	(52,655)
Total deferred tax	<u>74,984</u>	<u>(152,585)</u>
Total tax charge on profit on ordinary activities	<u>137,551</u>	<u>200,300</u>

b) Factors affecting the tax charge for the year

The current tax charge for the year is higher (2006 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	2006 £
Current tax reconciliation		
Profit on ordinary activities before tax	99,994	946,563
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2006 30%)	29,999	283,969
Effects of:		
Expenses not deductible for tax purposes	111,443	74,827
Non taxable income	(2,303)	(66,398)
Capital allowances for period in excess of depreciation	(61,101)	99,930
Adjustment to tax charge in respect of previous years	(15,471)	(39,443)
Total current tax	<u>62,567</u>	<u>352,885</u>

c) Factors that may affect future tax charges

The standard rate of corporation tax in the UK will decrease from 30% to 28% in April 2008, which will lead to an effective rate of taxation of 28.5% in 2008 and 28% in 2009 on profits originating in the UK.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

6 Intangible fixed assets

	£
Cost	
1 January & 31 December 2007	<u>272,223</u>
Depreciation	
1 January 2007	187,143
Charge for the year	<u>68,052</u>
31 December 2007	<u>255,195</u>
Net book value	
1 January 2007	<u>85,080</u>
31 December 2007	<u>17,028</u>

The costs represent expenses incurred on developing a software package for continuing use by the BAM group

7 Fixed assets

	Leasehold property & improvements	Furniture & fittings	Motor vehicles	Computer equipment	Total
Cost					
At 1 January 2007	6,732,128	6,222,731	26,406	17,789,031	30,770,296
Additions	-	558,896	-	954,163	1,513,059
31 December 2007	<u>6,732,128</u>	<u>6,781,627</u>	<u>26,406</u>	<u>18,743,194</u>	<u>32,283,355</u>
Depreciation					
At 1 January 2007	5,877,167	3,376,972	26,406	14,910,528	24,191,073
Charge for the year	71,251	539,198	-	1,656,128	2,266,577
31 December 2007	<u>5,948,418</u>	<u>3,916,170</u>	<u>26,406</u>	<u>16,566,656</u>	<u>26,457,650</u>
Net book value					
1 January 2007	854,961	2,845,759	-	2,878,503	6,579,223
31 December 2007	<u>783,710</u>	<u>2,865,457</u>	<u>-</u>	<u>2,176,538</u>	<u>5,825,705</u>

8 Debtors

	2007	2006
	£	£
Amounts owed by group undertakings	737,142	4,232,187
Other debtors	1,080,183	902,624
Prepayments and accrued income	<u>3,451,337</u>	<u>3,190,327</u>
	<u>5,268,662</u>	<u>8,325,138</u>

Of the above prepayments and accrued income balance, £579,180 (2006 £654,164) relates to a deferred taxation asset, see note 10

9 Creditors: Amounts falling due within one year

	2007	2006
	£	£
Amounts owed to group undertakings	8,661,903	13,508,678
Other creditors including taxation and social security	152,407	437,475
Accruals and deferred income	<u>1,511,500</u>	<u>1,364,841</u>
	<u>10,325,810</u>	<u>15,310,994</u>

Baring Investment Services Limited

Notes to the Financial Statements (continued)

10 Deferred taxation asset

	2007 £	2006 £
At 1 January	654,164	501,579
Transfer from profit & loss	(74,984)	152,585
At 31 December	579,180	654,164

The elements of deferred taxation are as follows

Difference between accumulated depreciation / amortisation and capital allowances	<u>579,180</u>	<u>654,164</u>
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11 Operating leases

	2007 £	2006 £
At 31 December 2007 the Company had annual commitments under operating leases as follows		
Expiring in over five years	<u>3,642,907</u>	<u>3,735,906</u>

12 Share capital

	2007 £	2006 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid:		
200 ordinary shares of £1 each	<u>200</u>	<u>200</u>

13 Share premium and reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2007	3,368,926	(2,277,652)	1,091,274
Loss for the year	-	(37,557)	(37,557)
At 31 December 2007	3,368,926	(2,315,209)	1,053,717

14 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Opening shareholders' funds	1,091,474	345,211
(Loss)/profit for the year	(37,557)	746,263
Closing shareholders' funds	1,053,917	1,091,474

15 Pension scheme

The Company contributes to the Baring Asset Management Retirement Plan (the "Plan"), a defined contribution scheme in the United Kingdom. The total pension cost for the company in respect of 2007 was £1,279,865 (2006 £1,202,438) and represents contributions payable by the Company to the Plan.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

16 Ultimate parent company

During 2007, the Company's immediate parent company changed from Baring International Investment Management Holdings (previously Baring International Investment Management Holdings Limited) to Baring Asset Management Limited. The ultimate parent company is Massachusetts Mutual Life Insurance Company.

The largest group in which the results of the Company are consolidated is that headed by Massachusetts Mutual Life Insurance Company. The smallest group in which they are consolidated is that headed by Baring Asset Management Limited.

The consolidated financial statements of Massachusetts Mutual Life Insurance Company are available to the public and may be obtained from the secretary, Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-00001, USA.