

Baring Investment Services Limited

Registration Number: 2259590

**Directors' Report And Financial Statements
For The Year Ended
31 December 2010**

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Baring Investment Services Limited

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Baring Investment Services Limited

Company Information

Directors

Baring Asset Management Limited
J Misselbrook
S J Pearson
J T Swayne

Secretaries

S Okoro
P Walsh

Company Registration Number

2259590

Auditors

KPMG Audit Plc
15 Canada Square
London
E14 5GL

Baring Investment Services Limited

Directors' Report

The directors present the annual report and audited financial statements of Baring Investment Services Limited (the Company), registration number 2259590, for the year ended 31 December 2010

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 profit for the year amounted to £444,088 (2009 £509,897). At the year end the Company's net asset position had increased by £444,088 and its investments in tangible fixed assets had increased by 24% from £6,051,877 to £7,479,264

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

	2010	2009
	£	£
Turnover	30,391,878	28,540,184
Profit before taxation	759,796	749,999
Net assets	2,531,165	2,087,077

The Company has considerable financial resources and as such the directors believe the Company will continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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 and Compliance 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
- **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

Baring Investment Services Limited

Directors' Report (continued)

ii) Operational risks (continued)

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 directors do not propose the payment of a dividend (2009 £nil)

Employment policies

The directors are 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 directors place 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 directors attach 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

Directors

The directors shown on page 2 served throughout the year

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's 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

Donations

Donations to charity and community projects made by the Company during the year amounted to £31,476 (2009 £33,023). No political contributions were made by the Company (2009 £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. In addition, Baring Asset Management Limited has purchased additional directors' and officers' insurance in respect of all Barings Group companies

By order of the Board



J T Swayne
Director
28 February 2011

Baring Investment Services Limited

Statement of directors' responsibilities in respect of the directors' report and financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

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 2010 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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



N. Palmer (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Date *28 February 2011*

Baring Investment Services Limited

**Profit and Loss Account
for the year ended 31 December 2010**

	Notes	2010	2009
		£	£
Income	2	30,391,878	28,540,184
Administrative expenses	3	<u>(29,666,826)</u>	<u>(27,743,596)</u>
Operating profit		725,052	796,588
Interest receivable and similar income	4	34,744	1,325
Interest payable and similar charges	5	<u>-</u>	<u>(47,914)</u>
Profit on ordinary activities before taxation		759,796	749,999
Tax on profit on ordinary activities	8	<u>(315,708)</u>	<u>(240,102)</u>
Profit for the year	16	<u>444,088</u>	<u>509,897</u>

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

All the results arise from continuing operations

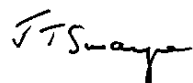
Baring Investment Services Limited

**Balance Sheet
as at 31 December 2010**

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	9	7,479,264	6,051,877
Current assets			
Debtors	10	5,132,025	5,112,840
Cash at bank and in hand		<u>528,485</u>	<u>1,312,431</u>
		5,660,510	6,425,271
Creditors: Amounts falling due within one year	11	(10,608,609)	(10,390,071)
Net current liabilities		<u>(4,948,099)</u>	<u>(3,964,800)</u>
Net assets		<u>2,531,165</u>	<u>2,087,077</u>
Capital and reserves			
Called up share capital	14	200	200
Share premium account	15	3,368,926	3,368,926
Profit and loss account	15	<u>(837,961)</u>	<u>(1,282,049)</u>
Shareholders' funds		<u>2,531,165</u>	<u>2,087,077</u>

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

The financial statements were approved by the board of Directors and signed on its behalf by



J T Swayne
Director
28 February 2011

Baring Investment Services Limited

Notes to the Financial Statements

1 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, or over the remainder of lease term if shorter
Furniture & fittings	10 years except paintings, which are not depreciated
Motor vehicles	4 years
Computer equipment	3-4 years except for software below the equivalent of \$250,000 which is expensed

d Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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

Employees are 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 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.

j 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

	2010 £	2009 £
Recovery of costs incurred on behalf of group undertakings	29,746,021	28,111,344
Other income	645,857	428,840
	<u>30,391,878</u>	<u>28,540,184</u>

3 Administrative expenses

	2010 £	2009 £
Auditors' remuneration		
- Services relating to taxation	73,375	29,500
Depreciation	2,147,027	2,161,360
Operating lease rentals	4,510,311	3,735,906
Other operating expenses	22,936,113	21,816,830
	<u>29,666,826</u>	<u>27,743,596</u>

Fees for the audit of the Company's financial statements are borne by Baring Asset Management Limited, a fellow group undertaking.

4 Interest receivable and similar income

	2010 £	2009 £
Interest receivable	4,617	1,325
Net exchange gains	30,127	-
	<u>34,744</u>	<u>1,325</u>

5 Interest payable and similar charges

	2010 £	2009 £
Interest payable	-	645
Net exchange losses	-	47,269
	<u>-</u>	<u>47,914</u>

Baring Investment Services Limited

Notes to the Financial Statements (continued)

6 Employees

The average number of staff employed in management and administration by the Company during the year ended 31 December 2010 was 150 (2009 150). These employees are legally employed by Baring Asset Management Limited and their respective costs are recharged to the Company. Aggregate remuneration of all employees was:

	2010	2009
	£	£
Salaries	9,620,809	8,713,237
Social security costs	925,250	978,074
Other pension costs	1,198,855	1,313,370
	<u>11,744,914</u>	<u>11,004,681</u>

7 Directors' remuneration

	2010	2009
	£	£
Directors' emoluments	1,246,992	923,181
Amounts receivable under long-term incentive schemes	401,054	415,629
Company contributions to money purchase pension schemes	87,737	87,466

	2010	2009
	£	£
Highest paid director		
Director's emoluments	594,654	435,068
Amounts receivable under long-term incentive schemes	216,375	223,418
Company contributions to money purchase pension schemes	19,337	19,186

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	3	3

Baring Investment Services Limited

Notes to the Financial Statements (continued)

8 Taxation

	2010	2009
	£	£
a) Analysis of the charge in the year		
<i>Current tax</i>		
UK corporation tax at 28% (2009 28%)		
Current year	282,426	345,824
Adjustment to tax charge in respect of previous years	(130,713)	8,248
Total current tax	151,713	354,072
<i>Deferred taxation</i>		
Origination and reversal of timing differences		
Current year	(35,056)	(100,634)
Prior year	199,051	(13,336)
Total deferred tax	163,995	(113,970)
Total tax charge on profit on ordinary activities	315,708	240,102

b) Factors affecting the tax charge for the year

The current tax charge for the year is lower (2009 higher) than the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	2010	2009
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	759,795	749,999
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 28% (2009 28%)	212,743	210,000
Effects of:		
Expenses not deductible for tax purposes	48,627	49,190
Non taxable income	(14,000)	(14,000)
Capital allowances for period less than depreciation	35,056	100,634
Adjustment to tax charge in respect of previous years	(130,713)	8,248
Total current tax	151,713	354,072

c) Factors that may affect future current and total tax charges

The standard rate of corporation tax in the UK is due to decrease from 28% to 24% over 4 consecutive years starting on 1 April 2011 on profits originating in the UK. The decreases will be 1% each year.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

9	Fixed assets	Leaschold property & improvements	Furniture & fittings	Motor vehicles	Computer equipment	Research & development	Total
		£	£	£	£	£	£
Cost							
At 1 January 2010		6,732,128	7,061,152	26,406	10,339,133	2,042,656	26,201,475
Additions		2,147,132	145,574	-	1,303,291	-	3,595,997
Disposals		(5,732,660)	(1,149,555)	-	(1,997,284)	-	(8,879,499)
31 December 2010		3,146,600	6,057,171	26,406	9,645,141	2,042,656	20,917,973
Depreciation							
At 1 January 2010		6,050,029	4,548,660	26,406	8,927,376	579,127	20,149,598
Charge for the year		88,486	525,046	-	1,022,831	510,664	2,147,027
Disposals		(5,732,660)	(1,127,972)	-	(1,997,284)	-	(8,857,916)
31 December 2010		405,855	3,945,734	26,406	7,952,923	1,107,791	13,438,709
Net book value							
1 January 2010		682,099	2,512,492	-	1,411,757	1,445,529	6,051,877
31 December 2010		2,740,745	2,111,437	-	1,692,217	934,865	7,479,264

10 Debtors

	2010 £	2009 £
Amounts owed by group undertakings	391,219	424,055
Other debtors	1,805,314	1,696,908
Prepayments and accrued income	2,935,492	2,991,877
	<u>5,132,025</u>	<u>5,112,840</u>

Of the above other debtors balance, £508,304 (2009 £672,299) relates to a deferred taxation asset, see note 12

11 Creditors: Amounts falling due within one year

	2010 £	2009 £
Amounts owed to group undertakings	2,231,369	8,680,305
Other creditors including taxation and social security	3,845,949	495,229
Accruals and deferred income	4,531,291	1,214,537
	<u>10,608,609</u>	<u>10,390,071</u>

12 Deferred taxation asset

	2010 £	2009 £
At 1 January	672,299	558,329
Transfer from profit & loss	(163,995)	113,970
At 31 December	<u>508,304</u>	<u>672,299</u>

The elements of deferred taxation are as follows

Difference between accumulated depreciation / amortisation and capital allowances	<u>508,304</u>	<u>672,299</u>
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Baring Investment Services Limited

Notes to the Financial Statements (continued)

13 Operating leases

	2010 £	2009 £
At 31 December 2010 the Company had annual commitments under operating leases as follows		
Expiring in two to five years	379,696	379,696
Expiring in over five years	<u>4,796,698</u>	<u>4,408,437</u>

14 Share capital

	2010 £	2009 £
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>

15 Share premium and reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2010	3,368,926	(1,282,049)	2,086,877
Profit for the year	-	444,088	444,088
At 31 December 2010	<u>3,368,926</u>	<u>(837,961)</u>	<u>2,530,965</u>

16 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Opening shareholders' funds	2,087,077	1,577,180
Profit for the year	<u>444,088</u>	<u>509,897</u>
Closing shareholders' funds	<u>2,531,165</u>	<u>2,087,077</u>

17 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 2010 was £1,198,855 (2009: £1,313,370) and represents contributions payable by the Company to the Plan.

18 Ultimate parent company

The Company's immediate parent company is Baring Asset Management Limited and 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.