

Barings Europe Limited
Registration Number: 10801931

Group Annual Report And Consolidated Financial Statements
For The Year Ended
31 December 2021

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Barings Europe Limited

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Barings Europe Limited

Company Information

Directors

S M Francis
P Hoeffling
A C Sutherland
J T Swayne
J Dinerman (appointed 4 May 2021)
R J Kent (resigned 4 May 2021)

Secretary

N E Evans

Company Registration Number

10801931

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Registered Office

20 Old Bailey
London
EC4M 7BF

Barings Europe Limited

Group Strategic Report

In accordance with Section 414A(1) of the Companies Acts 2006, the directors have prepared a Strategic Report which includes a review of Barings Europe Limited ("the Company") and its subsidiary companies (collectively "the Group"), comprising its business and future developments, its key performance indicators and a description of the principal risks and uncertainties faced by the Group.

Business Review

The wider Barings group, whose head office is in the United States, is one of the world's largest and most diversified asset management organisations with more than US\$ 391.5 billion in assets under management ("AUM") as at 31 December 2021. Barings offers market-leading capabilities across the global fixed income, equity, real estate and alternative-asset markets, underpinned by the expertise of more than 1,823 investment professionals employed in all the world's leading financial centres.

The business performed well during the year with revenues up 8% on prior year to £361m (2020: £334m). The core management fee income year on year increased £43.9m but was partially offset by performance fees falling by £14.9m. The increase in fees was driven by AUM increasing year on year by 11% to £44.4b. The Group closed its multi asset funds and business line in 2021 after having undertaken a review of the Group's ability to grow the strategy. The closure caused AUM to fall by £1b but, despite this outflow, AUM overall rose due to net inflows in other strategies totalling £3.3b notably in High Yield and Global Private Credit and positive markets. Administrative expenses increased 8% to £321m (2020: £296m). The increase is largely attributable (£22m) to paying higher sub advisory fees to Barings companies external to the Group and fee rebates to investors as a consequence of higher AUM. Group operating profit increased 5% to £42.1m (2020: £40.0m).

The Group provided seed capital of £6.9m to the Barings China A-Share Private Securities Fund in 2021, in addition to £3.7m for the Barings China Aggregate Bond Private Securities Investment Fund No.1 in 2020. The Group's subsidiary Baring Asset Management Limited has a RQFII licence enabling it to hold the investment and is thus the best placed entity within the wider Barings group to provide seed capital for Barings' long term objective of expanding in the China market place. The Group owns 59% and 100% of the China A and Aggregate Bond funds respectively at the year end which has led to the funds being consolidated and the Group balance sheet reflecting a minority interest of £5m. In 2021 losses totalling £0.7m, after taking into account the derivative forward currency hedge, were incurred on the seed investment.

The above losses resulted in profit after tax for the year attributable to the owners of the parent company to increase 4% to £34.0m (2020 : £32.8m).

The Group believes it is well placed to grow its assets under management, revenues and profits by delivering superior investment performance over the market cycle, by expanding its distribution capabilities and achieving revenue and cost synergies across the new Barings organisation.

Principal risks and uncertainties

The principal risk types faced by the Group are a decline in business due to:

- i) Strategic risks - the most significant strategic risks facing the Group are a decline in business due either to:
 - External factors, such as a credit risk, market risk and liquidity risk; or
 - Internal factors, for example a substantial period of poor investment management performance.
- ii) Operational risks - see the Directors' Report for details.

Key performance indicators - consolidated

Key performance indicators ('KPIs') are reported to management and monitored at the Group level on a monthly basis. The following KPIs relate to the Group.

| | 2021 | 2020 |
|--------------------------------------|---------|---------|
| | £'000 | £'000 |
| Consolidated turnover | 360,776 | 334,296 |
| Consolidated profit before taxation | 41,291 | 39,644 |
| Consolidated net assets | 129,862 | 118,022 |
| | £b | £b |
| Consolidated assets under management | 44.4 | 39.9 |

Barings Europe Limited

Group Strategic Report (continued)

Employees

The Group 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 Group places considerable emphasis and value on its 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 briefing sessions.

The Group 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 Group is strongly supported. The Group 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 Group and Barings LLC.

The Group gives full and fair consideration to applications for employment that disabled people make to the Group. It ensures employment, training, career development and promotion of disabled people is consistent with all other employees. The Group ensures continuing employment and training of employees who have become disabled while employed by the Group.

Gender Pay Gap

Embracing diversity is embedded in the Group's corporate culture and gender is an important part of its diversity initiatives. The Group's latest gender pay gap report can be found at <https://bwebprod.blob.core.windows.net/assets/user/media/barings-uk-gender-pay-gap-report.pdf>

Modern Slavery Statement

The Barings organisation is committed to acting ethically and with integrity in all its business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in its supply chains. The Group's modern slavery statement can be found at <https://www.barings.com/modern-slavery-statement>.

Environment

The Group is a professional and environmentally conscious organisation, which acknowledges the impact that its operations may potentially have on the environment. The clear objective of the Group is to minimise any impact on the environment by:

- Preventing pollution including greenhouse gas emissions (see the Directors' Report) , reducing waste and ensuring that wherever practical, measures are implemented to protect and preserve natural habitats, flora and fauna;
- Considering the effects that its operations may have on the local community;
- Taking action to eliminate or reduce, as far as practicable, any potentially adverse environmental impacts;
- Promoting environmental awareness amongst its suppliers, contractors and partners by implementation of operational procedures;
- Seeking to work in partnership with the community by behaving in a considerate and socially responsible manner; and
- Ensuring effective and expedient incident control, investigation and reporting.

The Group complies with the duties placed upon it within the requirements of Statutory Legislation, whilst at all times complying with, as a matter of best practice, the requirements and duties set out within Approved Guidance as issued by the Environment Agency and other organisations. The Group takes all practical steps to ensure that potential hazards and risks to the environment are identified and that suitable and effective prevent and control measures are implemented. The Directors have overall responsibility for all environmental matters.

Responsibilities of Directors under Section 172 of the Companies Act 2006 ("Sn 172")

The directors are committed to holding themselves to the highest possible standards of conduct, and implicit in this is the recognition and understanding that the Company has a responsibility to a wide range of stakeholders as detailed below:

- **The Group's customers** - the firm's success depends on its ability to provide the highest possible levels of service and investment performance to its customer base. Barings is dedicated to meeting the evolving investment and capital needs of its customers and regularly reviews the nature of its operations and the manner in which it engages with clients to ensure it is servicing them to the best of its ability.

Barings Europe Limited

Group Strategic Report (continued)

Responsibilities of Directors under Section 172 of the Companies Act 2006 ("Sn 172") (continued)

- **The Company's shareholders** - the Company is an indirect, wholly owned subsidiary of Barings LLC, the parent entity of the broader Barings group which sets the strategy for the firm as a whole. Accordingly, the Company has a responsibility to execute the firm's strategic plan to the best of its ability as well as generating the financial returns that Barings LLC requires of its operating subsidiaries. Some of these financial goals are in turn driven by the requirements of Barings' ultimate owner, Massachusetts Mutual Life Insurance Company ("MassMutual"). Barings relationship with MassMutual is necessarily close as MassMutual is also Barings' largest single client and accordingly Barings has a responsibility for ensuring it delivers on MassMutual's investment objectives for the portfolios it manages as well as ensuring it satisfies the broader requirements of the MassMutual corporate group.
- **The Group's employees** - the firm places a high priority in ensuring all members of staff are treated fairly and are provided with appropriate support and training to develop in their roles and maximise their full potential. Over the last couple of years the firm has made a significant effort to try and ensure that any staff whose mental well-being has suffered during lockdown have been provided with appropriate support. The firm has fostered the creation of a number of Employee Resource Groups to help engender a diverse, inclusive workplace aligned with the firm's values, goals and business practices.
- **The Group's suppliers** - Barings relies on a number of key suppliers in order to operate effectively. In particular, the firm has strategic partnerships with a few organisations to whom it has outsourced parts of its operations, including fund administration and certain middle and back office services. The firm has a formal vendor management program to ensure that appropriate oversight is performed on vendors based on the nature of their activities and their importance to Barings as a whole. For all vendors irrespective of size however, Barings is committed to paying invoices on time and resolving any issues that may arise on a fair and equitable basis. The Group has established systems and controls to ensure slavery and human trafficking are not taking place within its supply chains.
- **The Environment** - Barings is committed to the pursuit of a sustainable future through integrating environmental awareness into its business activities, by acting as advocates inside and outside the business and by communicating transparently on its progress. The firm wishes to continuously improve its environmental performance and to integrate recognised environmental management best practice into its business operations. As signatories to the UN's Principles for Responsible Investment ("PRI"), Barings supports the PRI's ambition to keep the global temperature increase below 1.5 degrees Celsius by the end of this century in order to prevent widespread adverse consequences. Barings also believes in contributing to a sustainable future through its own operations and outputs. The firm seeks to employ circular economy principles in its offices globally, where feasible, in its efforts to reduce the emissions and waste that contribute to climate change, and has many measures in place to try to mitigate its impact on the environment. Barings investment activities integrate the analysis of ESG topics, including climate change, into its investment process across asset classes in order to better understand the risks and opportunities associated with a changing world. The firm advocates for more responsible and sustainable behaviour with regards to climate change through its stewardship activities. The Group has signed statements to G7 and G20 governments in support of the Paris Climate Agreement, urging these governments to continue to uphold the Agreement's principles aimed at combatting climate change. The firm is also a signatory to the United Nations Global Compact ("UNGC") and supports their principles on the environment as well as the Sustainable Development Goals. In addition, Barings is a proud participant in Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies that participants engage with include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.
- **The local community** - as a global firm with local roots, Barings is passionate about supporting the communities in which its associates work and live. This is evidenced by the Barings Social Impact initiative which was launched in 2019 and puts the power to effect change in the hands of Barings' associates through mentoring, service and financial giving. In 2021 Barings committed to invest US\$278,000 in UK and Irish organisations that are dedicated to advocating for equality and social justice, including the Aleto Foundation, the East London Business Alliance and the Thomas Franks Foundation. In the last year, Barings has also provided support to those groups within the firm's local communities that have been hit hard by the COVID-19 pandemic. In particular, the London office has worked with its catering partner Thomas Franks to create the "Feeding Communities" initiative, which has provided 53,000 free meals for individuals and is supported by 30 organisations across the capital.
- **The Group's regulators** - the firm works with industry bodies to ensure that it understands and contributes to evolving regulatory requirements. Senior management are regularly kept apprised by compliance and the project management team of key regulatory developments and the firm's preparedness for any forthcoming changes. Recently in the UK, this has included the preparation for the implementation of the Investment Firms Prudential Regime.

Barings Europe Limited

Group Strategic Report (continued)

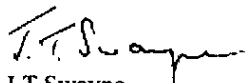
Britain Exiting from the EU (“Brexit”)

A Trade and Cooperation Agreement (the “Agreement”) between the UK and the EU was signed shortly before the Brexit transition period ended on 31 December 2020. The Agreement did not contain specific measures relating to the provision of financial services between the EU and UK. Technical discussions on the text of a Memorandum of Understanding (MoU) have been concluded which created the framework for voluntary regulatory cooperation in financial services between the two sides including the establishment of the Joint UK-EU Financial Regulatory Forum.

The Group has mitigated the loss of the EU passporting rights held by its UK asset management entities by maintaining regulatory continuity through its existing Irish asset management subsidiary, Baring International Fund Managers (Ireland) Limited (“BIFMI”). At 31 December 2021, BIFMI managed 52 per cent of the Group’s total assets under management.

The relationship between the UK and the EU remains subject to negotiation and Barings therefore continues to monitor developments and will make such adjustments to its Brexit strategy as may prove necessary or desirable from time to time.

By order of the Board



J T Swayne

Director

12 April, 2022

Barings Europe Limited

Group Directors' Report

The directors present the annual strategic report, directors' report and consolidated financial statements of Barings Europe Limited ("the Company"), registration number 10801931, for the year ended 31 December 2021. The Company and its subsidiaries form the Group.

The Company has chosen to set out information relating to the Business Review and future developments, key performance indicators, principle risks and uncertainties, employee and environmental policies and responsibilities under s172 of the Companies Act 2006 within the Group Strategic Report.

Principal activities

The principal business of the Group is and will continue to be the provision of investment management services.

Going concern

The Group has considerable financial resources and thus the Board of Directors believes the Group and Company will continue in operational existence for the foreseeable future. The Board has considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility in global equity and bond markets. The Company, in common with its service providers, successfully transitioned to remote working in March 2020. Since the beginning of 2022 the Group has pivoted to a return to office in accordance with governmental recommendations. The main risk resulting from COVID-19 for the Group is the impact on the valuation of assets under management and the associated effect on revenues. Despite the improving outlook, the Board continues to closely monitor the COVID-19 impact on the Company and Group across a range of forecast scenarios and does not consider there to be any significant impact on the going concern basis of preparation that has been adopted in preparing the annual financial statements.

Pillar 3 disclosures

Introduction

The Financial Conduct Authority ("FCA") introduced on 1 January 2022 the Investment Firms Prudential Regime ("IFPR"). IFPR creates a new series of rules that replaces the regulatory capital framework established by the European Union Capital Requirements Directive ("CRD") based upon the provisions of Basel III.

For the reporting period ending 31 December 2021 the Company has reported below under the rules in place on 31 December 2021.

The Group contains three companies that are regulated by the Financial Conduct Authority which were subject to the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') or the Interim Prudential Sourcebook for Investment Business (Chapter 11) ("IPRU INV"). The Prudential Sourcebook set out the rules for implementing the European Capital Requirements Directive in the UK. Chapter 11 of BIPRU contained rules for the public disclosure of risk management policies and objectives, risk exposures and capital requirements which are known as Pillar 3 disclosures. The disclosures below have been made in compliance with BIPRU chapter 11 and apply to the Company based on its consolidated position as the holding company of the Group.

Structure

For the purposes of risk management and capital resources, the Company and its subsidiaries are managed on a consolidated basis, albeit the process also ensures that the risk and capital requirements of each entity within the Group are appropriately managed. The Barings Europe Limited Board of Directors (the 'Board') is the governing body of the Group and its principal role is to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board also sets the Group's values and standards and ensures that its obligations to its shareholder and other stakeholders are understood and met.

The Board is collectively responsible for managing the business of the Group, for promoting the success of the Group by directing and supervising its affairs, and is accountable for the risks inherent in the Group's activities. The Board manages the business through a committee structure. The principal committee is the European Management Team ("EMT") and it is responsible for the effective management and co-ordination of the Group's business and organisational affairs.

Barings Europe Limited

Group Directors' Report (continued)

Risk management

The Group manages its risks on a group-wide basis and in accordance with a risk framework approved by the Risk, Regulatory & Audit Oversight Committee ('RR&AOC'). The RR&AOC, which derives its delegated authorities from the Board, is responsible for the design and implementation of the Group's risk management processes and controls.

The Organisational Risk function, reporting to the Chief Risk Officer - Europe, supports the RR&AOC in the identification, assessment, management and monitoring of risks within the Group's global operations.

The principal risk types are set out in the Group Strategic report. The Group's approach to managing each of these risks is set out below:

i) Strategic risks

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 Group manages its operational risks, including strategic, business, reputational and regulatory risks, under the umbrella of 'organisational risk'. To ensure that these risks are effectively and consistently managed, the Group has implemented a framework of processes which are set out in the Group's Organisational Risk Management Policy. This includes processes for:

- Reporting and analysis of loss events and near misses;
- Periodic risk assessments;
- Analysis of key risk indicators and metrics.

Members of the EMT and senior line managers are responsible for ensuring that effective risk management exists within their areas. Local line management is responsible for the day-to-day management of risks and for the effective operation of risk controls where appropriate.

The EMT and senior line managers regularly consider the most significant organisational risks facing the Group. These risks are identified, assessed, monitored and reported from a top-down perspective. The potential for the occurrence of a risk event is assessed in conjunction with the analysis of internal and external data. The analysis of emerging risks, industry trends and other environmental factors is also considered to facilitate proactive, forward-looking risk identification. Particularly for strategic risks, management expertise and experience is as important as empirical data in identifying and assessing risk. The Group's Significant Risk Profile is defined by the EMT and senior line managers. The Significant Risk Profile is reviewed at each quarterly meeting of the RR&AOC and the EMT and formally assessed by an annual full top-down review and update.

Capital requirements – Pillar 1

Pillar 1 sets out the minimum capital requirements entities are required to meet for credit, market and operational risk. The Group's Pillar 1 capital requirement is represented by the fixed overhead requirement ('FOR') as opposed to the sum of the market risk capital requirement and the credit risk capital requirement, which is smaller. The FOR is based on one quarter of audited, annual fixed expenditure. 2021's requirement was £34.4 million and the sum of the market risk capital requirement and the credit risk capital requirement as at 31 December 2021 was £20.7 million, split between a market risk capital requirement and a credit risk capital requirement of £8.6 million and £12.1 million respectively. As at 31 December 2021, the Group has £129.9 million Tier 1 capital, no Tier 2 and no Tier 3 capital. There are no deductions from Tier 1, 2 or 3 capital. The Group monitors its capital position at least monthly through its regular financial and regulatory reporting to management.

Internal Capital Adequacy Assessment Process ('ICAAP') – Pillar 2

Pillar 2 required the firm to review whether it should hold capital in excess of its Pillar 1 capital requirements and was known as the ICAAP. The Group's Pillar 2 Going Concern requirement was based on the Group's Risk Appetite Framework, which identifies, assesses, monitors and reports all of the Group's major risks. The Group's Pillar 2 Orderly Wind-Down Capital Requirement has been assessed by calculating how much capital would be required to close the business in a situation when the business was no longer profitable in the long term. The Group's ICAAP requirement is based on the Pillar 1 Capital Requirement, as this is greater than both the Orderly Wind-Down Capital Requirement and the Pillar 2 Going Concern requirement.

Barings Europe Limited

Group Directors' Report (continued)

Internal Capital Adequacy Assessment Process ('ICAAP') – Pillar 2 (continued)

A 'Significant Risk' is any real or potential risk, internal or external which will reduce or impact the likelihood of the Group achieving its strategically defined goals and objectives. The potential for an incident's occurrence is assessed in conjunction with the analysis of internal and external data at a high level across the Group. Considerations applied include actual and known events internally and externally.

A risk capital requirement is calculated for each Significant Risk identified in the Group's Significant Risk Profile by assessing the risk impact and probability on both an Inherent and Residual basis. Inherent Risk represents the risk exposure in the absence of internal controls; Residual Risk assesses the exposure considering the mitigating effect of internal controls, insurance, outsourcing, contingency planning and the probability of the risk occurring.

The sum of all the Residual Risks produces the calculation of the total Pillar 2 capital requirement. Scenario analysis and stress testing are undertaken to assess the Group's exposure to extreme events.

The ICAAP was incorporated into the annual business planning process and was reviewed by the EMT and was approved annually by the Board.

Remuneration disclosure

This remuneration disclosure covers the following firms ("the firms") within the Group:

- Baring Asset Management Limited
- Baring International Investment Limited
- Barings Global Advisers Limited

All Barings staff in the UK are employed by Baring Investment Services Limited ("BISL"). BISL shares staff with other Barings legal entities in the UK, including those named above, as required.

Remuneration oversight

The Group's remuneration arrangements encompass fixed and discretionary elements including discretionary bonuses in accordance with agreed arrangements. The Group has appointed two committees which take remuneration decisions, namely the Barings LLC Human Resources Committee and the HR and Remuneration Panel.

The Barings LLC Human Resources Committee is responsible for the setting, implementing and oversight of the Barings Remuneration Policy, the approval of the ten most senior employees' annual promotions and compensation awards and any other matters referred to it by management or the Boards. The HR and Remuneration Panel is responsible for the execution of the annual compensation review, associated promotions and compensation awards and other relevant matters.

Link between pay and performance

The Group's compensation structures are designed to support and further the Group's business strategy, objectives, values and long-term interests. Compensation packages aim to facilitate the retention of existing employees and attract high calibre new employees in order to achieve the best results for the Group and its clients.

Compensation arrangements for employees providing services to the Group comprise some or all of the following components:

- Fixed salary
- Short term incentive scheme ("STI")
- Long term incentive scheme ("LTI")
- Share of carried interest in certain funds

The Group's remuneration arrangements are designed to align the interests of staff with the Group's profits and with the performance of the assets that the Group manages for its clients. The key principle of STI and LTI is that they are linked to the performance of the individual and to the Group. Individual performance is assessed by reference to personal objectives set in the previous year (including both financial and non-financial criteria), the views of line and senior management and compliance behaviour. The total amount of variable remuneration available for STI and LTI in any given performance year is based on the profits of the Group. The amount paid out in respect of carried interest is based on performance of assets managed by the Group.

Barings Europe Limited

Group Directors' Report (continued)

Aggregate remuneration of code staff employed by the Group

| | 2021 | 2020 |
|-----------------------------|--------|--------|
| | £'000 | £'000 |
| Total fixed remuneration | 2,923 | 2,837 |
| Total variable remuneration | 16,729 | 12,110 |
| Total remuneration | 19,652 | 14,947 |

The remuneration disclosed above includes:

- Annual base salaries as at 31 December 2021 (or termination date for leavers)
- STI bonus awards for the 2021 performance year
- Deferred awards (LTI and carried interest) for the 2021 performance year based on the value at award date
- Any other awards provided for new joiners or leavers

Code staff are those members of staff whose actions have a material impact on the risk profile of the firm. All code staff are considered to be senior managers and they all work in investment management.

Greenhouse Gas Emissions

During the year, the Group's UK activities consumed at its London offices and data centres:

- 1,244 (2020: 1,288) thousand kWh of renewable electricity,
- 321 (2020: 798) thousand kWh of gas,
- 112 (2020: 332) thousand kg CO₂e on business travel,

The equivalent to the emission of 435 (2020: 486) thousand tonnes of carbon dioxide. The analysis includes estimates and, due to the difficulty of calculating a reliable figure, does not take into account the energy consumed by staff during their commute or the domestic energy consumed by staff working from home. The latter is expected to be a material number due to the lockdown measures imposed as a consequence of COVID-19.

As noted in the Group Strategic Report, Barings is committed to taking action to eliminate or reduce, as far as practicable, any potentially adverse environmental impacts. To that end, one of the key criteria used for the selection of the firm's latest data centre was that it is 100 per cent powered by renewable energy via power purchase agreements. In addition, the London office has introduced a number of environmentally efficient features including solar panels on the roof, a grey-water system in the cloakrooms on the lower ground floor levels and the use of green gas throughout the building. As a consequence of these efforts, the London office received ISO 14001 accreditation in July 2021, thereby validating the effective environmental management systems operated in the building.

Dividends

The directors declared an interim dividend for the Company of £27,000,000 which was paid in 2021 (2020: £3,000,000). The directors do not recommend the payment of a final dividend (2020: £nil).

Directors and Company Secretary

The directors shown on page 2 served throughout the year, unless stated.

A Callow was appointed as Company Secretary on 26 January 2021 and subsequently resigned on 13 December 2021 at which point N E Evans was appointed.

Insurance for directors

Barings LLC has purchased directors' and officers' insurance in respect of directors of all Group subsidiaries.

Donations

Donations to charity and community projects made by the Group during the year amounted to £65,000 (2020: £280,000). No political contributions were made by the Company or Group (2020: £nil).

In order to achieve a common approach for the broader Barings group across all geographical locations, the awarding and funding of donations has been centralised in the USA. In 2021 Barings committed to invest US\$278,000 in UK and Irish organisations that are dedicated to advocating for equality and social justice, the cost of which is reflected in the financial statements of Barings LLC.

Barings Europe Limited

Group Directors' Report (continued)

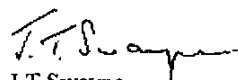
Disclosure of information to auditor

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

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



J T Swayne

Director

12 April, 2022

Barings Europe Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, Directors' Report and the Consolidated Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated 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 Group and the Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

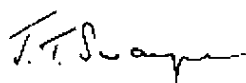
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 and the Group'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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the 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 Group and to prevent and detect fraud and other irregularities.

By order of the Board



J T Swayne

Director

12 April, 2022

Independent Auditor's Report to the Members of Barings Europe Limited

Opinion

We have audited the financial statements of Barings Europe Limited ("the Company") for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance sheet, the Company Statement of Changes in Equity and the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and of the Company's affairs as at 31 December 2021 and of the Group profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease its operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at group.

Independent Auditor's Report to the Members of Barings Europe Limited (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, limited judgements necessary, and the key involvement of third party administrators, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As there are certain regulated subsidiaries within the Group, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, data protection, anti-money laundering, market abuse regulations and financial services regulations, and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Barings Europe Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group or Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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.



Bano Sheikh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
13 April 2022

Barings Europe Limited

**Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2021**

| | Note | 2021 £'000 | 2020 £'000 |
|------------------------------------------------------------------|------|---------------|---------------|
| Group turnover | 2 | 360,776 | 334,296 |
| Other operating income | | 2,341 | 1,698 |
| Administrative expenses | 4 | (320,999) | (295,953) |
| Group operating profit | | 42,118 | 40,041 |
| Interest receivable and similar income | 7 | 1,123 | 446 |
| Interest payable and similar charges | 8 | (1,950) | (843) |
| Profit on ordinary activities before taxation | | 41,291 | 39,644 |
| Taxation on profit | 9 | (7,587) | (6,894) |
| Profit for the year | | 33,704 | 32,750 |
| Other comprehensive income | | | |
| Profit for the year | | 33,704 | 32,750 |
| Net exchange differences on the retranslation of net investments | | 190 | 179 |
| Total comprehensive income for the year | | 33,894 | 32,929 |
| Profit for the year attributable to: | | | |
| Non-controlling interest | | (282) | — |
| Owners of the parent company | | 33,986 | 32,750 |
| | | 33,704 | 32,750 |
| Total comprehensive income for the year attributable to: | | | |
| Non-controlling interest | | 34 | — |
| Owners of the parent company | | 33,860 | 32,929 |
| | | 33,894 | 32,929 |

The notes on pages 22 to 37 form part of these consolidated financial statements.

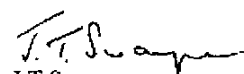
All the results arise from continuing operations.

Barings Europe Limited
Consolidated Balance Sheet
for the year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|-------------------------------------------------------|------|-----------------------|-----------------------|
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 10 | 459 | — |
| Tangible fixed assets | 11 | 21,908 | 25,503 |
| Deferred tax asset | 13 | 5,996 | 7,173 |
| Current assets | | | |
| Debtors | 14 | 95,255 | 104,950 |
| Financial assets at fair value through profit or loss | 10 | 18,797 | 6,904 |
| Cash and cash equivalents | 15 | 125,580 | 123,565 |
| | | <u>239,632</u> | <u>235,419</u> |
| Current Liabilities | | | |
| Creditors | 16 | (119,936) | (131,956) |
| Net current assets | | <u>119,696</u> | <u>103,463</u> |
| Total assets less current liabilities | | 148,059 | 136,139 |
| Non-current liabilities | | | |
| Creditors | 16 | (17,909) | (17,742) |
| Deferred tax liability | 13 | (288) | (375) |
| Net assets | | <u><u>129,862</u></u> | <u><u>118,022</u></u> |
| Capital and reserves | | | |
| Called up share capital | 19 | — | — |
| Share premium | | — | — |
| Capital contribution | | 49,698 | 49,698 |
| Translation reserve | | 468 | 694 |
| Other reserves | | 23,561 | 23,561 |
| Profit and loss account | | 51,151 | 44,065 |
| Equity attributable to owners of the Group | | <u>124,878</u> | <u>118,018</u> |
| Non-controlling interest | | 4,984 | 4 |
| | | <u><u>129,862</u></u> | <u><u>118,022</u></u> |

The notes on pages 22 to 37 form part of these consolidated financial statements.

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


J T Swayne
Director
12 April, 2022

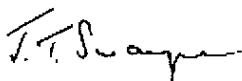
Company Registration Number: 10801931

Barings Europe Limited
Company Balance Sheet
for the year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|-------------------------------------------|------|----------------------|----------------------|
| Non-current assets | | | |
| Investments in subsidiaries | 12 | 50,277 | 64,096 |
| Current assets | | | |
| Investments in subsidiaries | 12 | 5,799 | — |
| Debtors | 14 | 10,915 | 13 |
| Cash and cash equivalents | 15 | 4,136 | — |
| | | <u>20,850</u> | <u>13</u> |
| Current liabilities | | | |
| Creditors | 16 | <u>(14,265)</u> | <u>(8,248)</u> |
| Net current assets / (liabilities) | | 6,585 | (8,235) |
| Net assets | | <u><u>56,862</u></u> | <u><u>55,861</u></u> |
| Capital and reserves | | | |
| Called up share capital | 19 | — | — |
| Share premium | | — | — |
| Capital contribution | | 49,698 | 49,698 |
| Profit and loss account | | <u>7,164</u> | <u>6,163</u> |
| Shareholder funds | | <u><u>56,862</u></u> | <u><u>55,861</u></u> |

The notes on pages 22 to 37 form part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:



J T Swayne
Director
12 April, 2022

Company Registration Number: 10801931

Barings Europe Limited

Consolidated Statement of Changes in Equity

| | Called-up share capital £'000 | Share premium £'000 | Capital contribution £'000 | Translation £'000 | Other reserves £'000 | Retained earnings £'000 | Attributable to owners of the Company £'000 | Non- controlling interests £'000 | Total equity £'000 |
|---------------------------------------------------------------------|----------------------------------------|---------------------------|----------------------------------|----------------------|----------------------------|-------------------------------|---------------------------------------------------------|-------------------------------------------|-----------------------|
| At 1 January 2020 | — | 6,358 | 49,698 | 515 | 23,561 | 7,957 | 88,089 | 4 | 88,093 |
| Profit for the year | — | — | — | — | — | 32,750 | 32,750 | — | 32,750 |
| Other comprehensive income for the year | | | | | | | | | |
| Net exchange differences on the retranslation of net investments | — | — | — | 179 | — | — | 179 | — | 179 |
| Total comprehensive income for the year | — | — | — | 179 | — | 32,750 | 32,929 | — | 32,929 |
| Capital reduction | — | (6,358) | — | — | — | 6,358 | — | — | — |
| Distribution | — | — | — | — | — | (3,000) | (3,000) | — | (3,000) |
| At 31 December 2020 | — | — | 49,698 | 694 | 23,561 | 44,065 | 118,018 | 4 | 118,022 |
| At 1 January 2021 | — | — | 49,698 | 694 | 23,561 | 44,065 | 118,018 | 4 | 118,022 |
| Profit for the year | — | — | — | — | — | 33,986 | 33,986 | (282) | 33,704 |
| Other comprehensive income for the year | | | | | | | | | |
| Net exchange differences on the retranslation of net investments | — | — | — | (226) | — | 100 | (126) | 316 | 190 |
| Total comprehensive income for the year | — | — | — | (226) | — | 34,086 | 33,860 | 34 | 33,894 |
| Minority interest at date fund first consolidated (note 10) | — | — | — | — | — | — | — | 5,714 | 5,714 |
| Net capital redemption from funds | — | — | — | — | — | — | — | (768) | (768) |
| Distribution | — | — | — | — | — | (27,000) | (27,000) | — | (27,000) |
| At 31 December 2021 | — | — | 49,698 | 468 | 23,561 | 51,151 | 124,878 | 4,984 | 129,862 |

The notes on pages 22 to 37 form part of these consolidated financial statements.

Barings Europe Limited

Company Statement of Changes in Equity

| | Called-up share capital £'000 | Share premium £'000 | Capital contribution £'000 | Retained earnings £'000 | Total equity £'000 |
|------------------------------------------------|-------------------------------------|------------------------|----------------------------------|-------------------------------|-----------------------|
| At 1 January 2020 | — | 6,358 | 49,698 | (141) | 55,915 |
| Profit for the year | — | — | — | 2,946 | 2,946 |
| Total comprehensive income for the year | — | — | — | 2,946 | 2,946 |
| Capital reduction | — | (6,358) | — | 6,358 | — |
| Distribution | — | — | — | (3,000) | (3,000) |
| At 31 December 2020 | — | — | 49,698 | 6,163 | 55,861 |
| At 1 January 2021 | — | — | 49,698 | 6,163 | 55,861 |
| Profit for the year | — | — | — | 28,001 | 28,001 |
| Total comprehensive income for the year | — | — | — | 28,001 | 28,001 |
| Distribution | — | — | — | (27,000) | (27,000) |
| At 31 December 2021 | — | — | 49,698 | 7,164 | 56,862 |

The notes on pages 22 to 37 form part of these consolidated financial statements.

Barings Europe Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2021

| | 2021 £'000 | 2020 £'000 |
|---------------------------------------------------------|-----------------|----------------|
| Cash flow from operating activities | | |
| Profit before tax | 41,291 | 39,644 |
| Taxation | (7,587) | (6,894) |
| Profit after tax | <u>33,704</u> | <u>32,750</u> |
| Adjustments for: | | |
| Depreciation and loss on disposal | 4,024 | 6,722 |
| Interest payable and similar charges | 1,950 | 843 |
| Interest receivable and similar income | (1,123) | (446) |
| Taxation | 7,587 | 6,894 |
| Decrease / (Increase) in trade and other debtors | 9,886 | (26,386) |
| (Decrease) / Increase in trade and other creditors | (14,075) | 11,182 |
| Taxation paid | (6,935) | (2,285) |
| Net cash from operating activities | <u>35,018</u> | <u>29,274</u> |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (443) | (1,057) |
| Purchase of investments | (13,049) | (1,444) |
| Proceeds from sale of investments | 8,013 | 516 |
| Interest received | 189 | 215 |
| Dividends received | 131 | — |
| Derivative payments | (894) | — |
| Cash balance of fund when 1st consolidated (note 10) | 517 | — |
| Net cash used in investing activities | <u>(5,536)</u> | <u>(1,770)</u> |
| Cash flows from financing activities | | |
| Interest paid | (11) | (9) |
| Capital contributions for consolidated funds | 1,997 | — |
| Capital redemptions for consolidated funds | (2,765) | — |
| Dividend paid | (27,000) | (3,000) |
| Net cash used in financing activities | <u>(27,779)</u> | <u>(3,009)</u> |
| Net increase in cash and cash equivalents | 1,703 | 24,495 |
| Cash and cash equivalents at the start of the year | 123,565 | 99,970 |
| Exchange gains / (losses) on cash and cash equivalents | 312 | (900) |
| Cash and cash equivalents at the end of the year | <u>125,580</u> | <u>123,565</u> |

The notes on pages 22 to 37 form part of these consolidated financial statements.

Barings Europe Limited

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

Barings Europe Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”).

The financial statements are prepared in pounds sterling, which is the functional currency of the Company, and are presented in thousands.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. In preparing the separate financial statements of the parent company, advantage has been taken of the following exemptions available in FRS 102 and the Companies Act 2006:

- The parent company has not included its own Profit and Loss Account (permitted under section 408 of the Companies Act 2006) or Statement of Cash Flows;
- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliations for the Group and the parent company are identical;
- Disclosures in respect of the Company’s financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (“the Group”) as if they formed a single entity. The consolidated financial statements incorporate the results of business combinations using the merger accounting method.

The Group was formed in 2017 and these financial statements were derived using the merger accounting method as permitted by FRS 102 paragraphs 19.27 to 19.33.

A merger is a business combination that results in the creation of a new reporting entity formed from the combining parties, in which rather than one party acquiring control of another, the parties come together to share in the future risks and benefits of the combined entity. A common control combination may be effected using the newly formed parent company to issue shares as consideration for the transfer to it of shares in the other parties to the combination.

The difference between the nominal value of the shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange has been shown as other reserves in the consolidated financial statements.

Where the combining entities include an entity previously acquired from a third party, the financial statement items of such an entity are only included in the consolidated financial statements of the combined entity from the date of acquisition using the acquisition values recognised at that date.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company’s profit after tax for the year was £28,001,000. (2020: £2,946,000). The reason for the increase is due to the receipt of dividends from subsidiaries.

Foreign currencies

Transactions effected in foreign currencies are translated into pounds sterling using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated, using the contracted rate or the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account.

Barings Europe Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Foreign currencies (continued)

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to other comprehensive income.

Measurement convention

The financial statements are prepared on the historical cost basis except for other financial instruments, which are classified as fair value through profit and loss.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. In addition the Group Directors' Report states how the Group manages its risks.

The ultimate responsibility for managing capital lies with the Board of Directors. The Company and the Group have considerable financial resources. The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the annual financial statements.

In particular, the Board has considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility in global equity and bond markets. The main risks resulting from COVID-19 for the Group are:

1. the impact on the valuation of assets under management and the associated effect on revenues; and
2. the impact on cash if certain clients are unable to pay fees due to liquidity constraints.

In this respect, a range of forecast scenarios have been considered at the Group level, including the impact of a material fall in AUM and a reverse stress test scenario to determine the circumstances that would need to arise before the Group ran out of cash. The results of these tests indicated that even in extreme scenarios, the Group should be able to maintain sufficient liquidity and capital resources to comply with its regulatory requirements and to continue to trade as a going concern. Consequently, the Board does not consider that COVID-19 will have a significant impact on the going concern basis of accounting in preparing the financial statements.

Investments

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to the initial recognition, investments that can be measured reliably are measured at fair value with changes recognised in the profit and loss account.

Investments by the Company in subsidiary undertakings are included at cost and assessed for impairment if indications exist. In the opinion of the Directors, the aggregate value of the subsidiary undertakings is not less than the aggregate amount at which the assets are included in the Company's balance sheet. When a subsidiary is expected to be closed within a year, the investment has been recorded as a current asset at the net realisable value.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight-line basis to spread the cost of fixed assets over their expected useful lives as follows:

| | |
|------------------------|----------------------------------------------------------------------------------------------------------|
| Computer equipment | 3-4 years, except for software below the equivalent of US\$ 250,000, which is expensed |
| Furniture & fittings | 5 years, except paintings, which are not depreciated |
| Leasehold improvements | 10 years; or over the remainder of the lease term, if shorter |
| Leasehold property | Not depreciated if the lease is greater than 100 years; over the remainder of the lease term, if shorter |

Barings Europe Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Research and development

Where it is considered that expenditure on research and development will bring an on-going benefit to the Group, 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 that it is incurred.

Basic financial instruments

Trade and other debtors are recognised on the balance sheet, when the Group or the Company becomes a party to the contractual provisions of the instrument, at the transaction price less the attributable transaction costs.

Trade and other creditors are recognised initially at the transaction price plus the attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group or Company has also transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the liability is discharged.

Other financial instruments

Holdings in mutual funds, shares, private equity funds and derivative financial instruments are designated as at fair value through profit or loss and are measured at subsequent reporting dates at fair value. Where securities are designated at fair value through profit and loss, gains and losses arising from changes in fair value are included in the profit or loss for the accounting period. The Group and Company determines the classification of its financial instruments on initial recognition.

The Group and Company may use derivative financial instruments to hedge against foreign exchange risk and also to limit the impact of market fluctuations on management fee income. Derivative financial instruments are classified as held for trading and carried at fair value as assets or liabilities. Fair values for forward exchange deals are based upon closing rates adjusted for future interest rate differentials. Changes in fair value are recognised in the profit and loss account.

Cash and cash equivalents

Cash is represented by cash at bank and investments in money market mutual funds repayable without penalty on notice of no more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash.

In the Consolidated Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are redeemable on demand and form an integral part of the Group's cash management.

Turnover

Management and sub-advisory fee income based on funds under management is accounted for on an accruals basis over the period of management.

Performance fees are recognised when the fee crystallises and becomes due to the Group.

Income is shown net of any value added tax and discounts. Front-end fees on mutual funds are recorded net of commission.

Sub-letting income

The Group has sublet part of the Group's premises.

The Group has entered into an agreement with a non Group company, for one section of the floor space, where the third party manages the sub letting of the premises. The revenue earned from the subletting is split between the two parties in accordance with an agreed waterfall. The Group has accrued for rent that will be earned in future periods in order that the expected profit to be made over the minimum life of the agreement, namely 5 years, is earned evenly over this period. The rent, and thus the profit, that will be earned in the future periods is dependent on the ability to sublet the premises and therefore has been estimated.

The remaining floor space has been let directly by the Group and has been classified as an operating lease. The total rental payments are being recognised on a straight line basis over the expected lifetime of the lease.

Barings Europe Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Rebates of management fees

Rebates of mutual fund management fees have been netted off turnover if they are payable to the investor in the mutual fund, otherwise they are shown as an expense.

Post-retirement benefits

The Group operates a number of different pension retirement plans for its staff. Defined contributions, in respect of all eligible employees, are charged to profits in respect of the current accounting period. The assets resulting from contributions are held separately from those of the Group.

Deferred compensation

The Group makes deferred compensation awards to some senior members of staff. The deferred compensation awards are expensed over the period from the date that the award is granted to the date the award is paid. Deferred compensation awards are based on the profitability of the Group and Barings LLC.

Leases

Operating lease rental payments are charged to the profit and loss account on a straight-line basis over the period of the lease. Lease incentives received are recognised in the profit and loss account over the term of the lease as an integral part of the total lease expense.

Interest Receivable and Interest Payable

Interest receivable and similar income includes gains on derivative instruments and financial assets measured at fair value, dividend income and net foreign exchange gains that are recognised in the profit and loss account (see foreign currencies accounting policy). Interest payable and similar expense comprises losses on derivative instruments and financial assets measured at fair value and net foreign exchange losses. Interest income and interest payable are recognised in profit and loss as they accrue.

Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax, or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or relieved on differences between the amount at which an asset or liability is recognised in the Group and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Barings Europe Limited

Notes to the Financial Statements (continued)

2. Segmental information - Group

The table below sets out information for each of the Group's geographic areas of operation. The segmental area is determined by where the contractual company is based.

| | UK | | Europe ex UK | | Total | |
|------------------|-----------|----------|--------------|---------|-----------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | | | | | | |
| Management fees | 208,684 | 184,562 | 230,096 | 191,085 | 438,780 | 375,647 |
| Performance fees | 5,720 | 15,412 | 1,640 | 6,864 | 7,360 | 22,276 |
| Other income | 19,284 | 21,811 | 5,017 | 5,073 | 24,301 | 26,884 |
| Sub-total | 233,688 | 221,785 | 236,753 | 203,022 | 470,441 | 424,807 |
| Inter-segment | (102,623) | (83,940) | (7,042) | (6,571) | (109,665) | (90,511) |
| | 131,065 | 137,845 | 229,711 | 196,451 | 360,776 | 334,296 |

3. Expenses and auditor's remuneration

| | 2021 | 2020 |
|--------------------------------------------------------------------------------|-------|-------|
| | £'000 | £'000 |
| <i>Profit on ordinary activities before taxation is stated after charging:</i> | | |
| Auditor's remuneration: | | |
| Group: | | |
| - audit of financial statements of the subsidiaries of the Company | 442 | 417 |
| - tax advisory services | 37 | 27 |
| - audit-related assurance services | 12 | 80 |
| - all other services | 27 | 26 |
| Company: | | |
| - audit of these financial statements | 179 | 168 |

KPMG LLP was not reappointed to perform the UK audit related assurance services for the Group after the completion of its work in 2020.

4. Administrative expenses - Group

| | 2021 | 2020 |
|-----------------------------------------------------------|---------|---------|
| | £'000 | £'000 |
| Staff costs (note 6) | 135,014 | 128,130 |
| Management fees payable to Barings LLC & its subsidiaries | 80,278 | 64,573 |
| Fee rebates | 37,851 | 31,644 |
| Other operating expenses | 67,856 | 71,606 |
| | 320,999 | 295,953 |

5. Remuneration of directors - Group

| | 2021 | 2020 |
|---------------------------------------------------------|-------|-------|
| | £'000 | £'000 |
| Directors' emoluments | 1,387 | 1,543 |
| Amounts receivable under long-term incentive schemes | 503 | 526 |
| Company contributions to money purchase pension schemes | 7 | 15 |

Barings Europe Limited

Notes to the Financial Statements (continued)

5. Remuneration of directors - Group (continued)

| | 2021 | 2020 |
|------------------------------------------------------|-------|-------|
| | £'000 | £'000 |
| Highest paid director | | |
| Director's emoluments | 734 | 688 |
| Amounts receivable under long-term incentive schemes | 259 | 255 |

The remuneration of directors who are employed by Barings LLC (the Company's indirect holding company) is not recharged and therefore is not disclosed above.

6. Staff numbers and costs - Group

| | 2021 | 2020 |
|-------------------------------------------------------------------------------------------|---------------------|------------|
| | Number of Employees | |
| The average number of persons employed by the Group (including directors) during the year | <u>553</u> | <u>565</u> |

The aggregate payroll costs of these persons were as follows:

| | 2021 | 2020 |
|-----------------------|----------------|----------------|
| | £'000 | £'000 |
| Wages and salaries | 113,100 | 108,009 |
| Social security costs | 15,815 | 14,518 |
| Defined contributions | 6,099 | 5,603 |
| | <u>135,014</u> | <u>128,130</u> |

7. Interest receivable and similar income - Group

| | 2021 | 2020 |
|-----------------------------------------------------------------------------|--------------|------------|
| | £'000 | £'000 |
| Interest receivable | 189 | 215 |
| Dividend income | 131 | — |
| Gain on derivative | — | 37 |
| Net gain on financial assets measured at fair value through profit and loss | — | 194 |
| Net foreign exchange gains | 803 | — |
| | <u>1,123</u> | <u>446</u> |

8. Interest payable and similar charges – Group

| | 2021 | 2020 |
|-----------------------------------------------------------------------------|--------------|------------|
| | £'000 | £'000 |
| Interest expense | 11 | 9 |
| Loss on derivative | 821 | — |
| Net loss on financial assets measured at fair value through profit and loss | 1,118 | — |
| Net foreign exchange losses | — | 834 |
| | <u>1,950</u> | <u>843</u> |

Barings Europe Limited

Notes to the Financial Statements (continued)

9. Taxation – Group

a) Analysis of charge for the year

| | 2021 | 2020 |
|----------------------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| <i>Current tax</i> | | |
| UK corporation tax on profits for the period of 19% (2020:19%) | 5,014 | 2,458 |
| Foreign tax on income for the year | 1,379 | 2,313 |
| Overseas tax withheld at source | 115 | 26 |
| Adjustments in respect of previous periods | 9 | (11) |
| Total current tax | 6,517 | 4,786 |
| <i>Deferred tax (see note 13)</i> | | |
| Origination and reversal of timing differences: | | |
| Current year | 1,883 | 3,158 |
| Impact of change in enacted tax rate on opening balances | (826) | (1,064) |
| Adjustments in respect of previous periods | 13 | 14 |
| Total deferred tax | 1,070 | 2,108 |
| Tax charge for the year | 7,587 | 6,894 |

All of the tax charge is recognised in the profit and loss account.

b) Factors affecting the tax charge for the year

The tax charge for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

| | 2021 | 2020 |
|----------------------------------------------------------------------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Profit on ordinary activities before taxation | 41,291 | 39,644 |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020:19%) | 7,845 | 7,532 |
| <i>Effects of:</i> | | |
| Non-taxable income | (197) | (582) |
| Expenses not deductible for tax purposes | 701 | 721 |
| Income subject to foreign taxation | (4) | 259 |
| Effects of measurement of deferred tax at future rate of UK corporation tax | (826) | (1,064) |
| Capital gain | 46 | 25 |
| Prior year adjustment | 22 | 3 |
| Total tax charge for the year | 7,587 | 6,894 |

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

Under legislation enacted at the balance sheet date, an increase in the rate of UK corporation tax from 19% to 25% is scheduled to occur from 1 April 2023. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and the effective tax rate in the future when the change is substantively enacted. The Group expects that, in line with the rate increase which has been enacted, there will be an increase to the effective tax rate for periods from 2023 onwards.

Barings Europe Limited

Notes to the Financial Statements (continued)

10. Investments and other financial assets - Group

Financial assets designated as fair value through profit and loss

| | 2021 £'000 | 2020 £'000 |
|------------------------------------------------------------------------|---------------|---------------|
| Non current asset investments | | |
| Investments in illiquid shares and private equity funds | 459 | — |
| Current asset investments | | |
| Investments in mutual funds to hedge potential liabilities | 3,758 | 5,291 |
| Underlying investments in funds seeded | 14,842 | 1,438 |
| Investments in mutual funds to provide seed capital | 54 | 57 |
| Other investments in unlisted shares and collective investment schemes | 33 | 81 |
| Forward foreign exchange contracts | 110 | 37 |
| | 18,797 | 6,904 |

The Group in 2021, as part of a rationalisation of the range of products it offers, closed its Multi Asset mutual funds. In order to facilitate the timely wind up of the funds the Group purchased illiquid holdings that the funds held at the date of closure. It is expected that the holdings will not be able to be redeemed/sold for at least a year. The non current investments have been designated as fair value through profit and loss.

A subsidiary of Barings LLC, the Company's indirect parent, launched in China the Barings China A-Share Private Securities Investment Fund. The fund required seed capital. The Chinese Qualified Foreign Institutional Investor (QFII) and Renminbi QFII (RQFII) rules permit foreign investment into the Chinese onshore market only for QFII and RQFII licence holders. A Group company is a RQFII licence holder and provided seed capital of £6.9 million in 2021. (In 2020 the Group seeded the Barings China Aggregate Bond Private Securities Investment Fund No.1). The Group consolidates both of the funds as it owns greater than 50 per cent of the units and hence the current asset investments of the Group include the investments of the funds. Subscription and redemptions by third party investors to the funds are disclosed in the Consolidated Statement of Changes in Equity as a movement in the minority interest and on the Consolidated Cash Flow Statement as a financing activity.

The potential tax liability if the investments were sold at the above values would be £14,000 (2020: £92,000).

The following tables show the fair value hierarchy for fixed and current asset investments and other financial assets designated as fair value through profit and loss:

| As at 31 December 2020 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Investments in mutual funds to hedge potential liabilities | 5,291 | — | — |
| Underlying investments in funds seeded | — | 1,438 | — |
| Investments in mutual funds to provide seed capital | 57 | — | — |
| Investments in illiquid shares and private equity funds | — | 64 | 17 |
| Forward foreign exchange contracts | — | 37 | — |
| As at 31 December 2021 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
| Investments in mutual funds to hedge potential liabilities | 3,758 | — | — |
| Underlying investments in funds seeded | 12,077 | 2,765 | — |
| Investments in mutual funds to provide seed capital | 54 | — | — |
| Investments in illiquid shares and private equity funds | — | — | 492 |
| Forward foreign exchange contracts | — | 110 | — |

Barings Europe Limited

Notes to the Financial Statements (continued)

11. Tangible fixed assets – Group

| | Leasehold property & improvements £'000 | Furniture & fittings £'000 | Computer equipment £'000 | Research & development £'000 | Total £'000 |
|----------------------------------|----------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|-------------------------------------------------|------------------------|
| <i>Cost</i> | | | | | |
| At 1 January 2021 | 28,580 | 3,827 | 3,723 | 921 | 37,051 |
| Additions | 118 | 74 | 251 | — | 443 |
| Retired/written off | — | (11) | — | (921) | (932) |
| Exchange translation differences | — | (25) | (17) | — | (42) |
| At 31 December 2021 | 28,698 | 3,865 | 3,957 | — | 36,520 |
| <i>Depreciation</i> | | | | | |
| At 1 January 2021 | 5,998 | 1,614 | 3,099 | 837 | 11,548 |
| Charged in year | 2,806 | 636 | 498 | 84 | 4,024 |
| Retired/written off | — | (11) | — | (921) | (932) |
| Exchange translation differences | — | (18) | (10) | — | (28) |
| At 31 December 2021 | 8,804 | 2,221 | 3,587 | — | 14,612 |
| <i>Net Book Value</i> | | | | | |
| At 1 January 2021 | 22,582 | 2,213 | 624 | 84 | 25,503 |
| At 31 December 2021 | 19,894 | 1,644 | 370 | — | 21,908 |

12. Investments in subsidiaries - Company and Group

Investments in subsidiaries - Company

| | £'000 |
|---------------------------------------|---------------|
| Investments in subsidiaries | |
| Balance as at 1 January 2021 | 64,096 |
| Purchase of a subsidiary | 21 |
| Liquidation of a subsidiary | (2) |
| Impairment in investment | (8,039) |
| Balance as at 31 December 2021 | 56,076 |
| Non current assets | 50,277 |
| Current asset | 5,799 |
| | 56,076 |

The Company's investment in Barings Real Estate UK Holdings Limited (BREAUKH) has been classified as a current asset due to the expectation that BREAUKH will be liquidated in 2022. The net assets of BREAUKH at 31 December 2021 comprise a balance owed by the Company. The Company's investment in BREAUKH has been stated at its realisable value, namely its net assets.

In preparation for the liquidation, BREAUKH sold its subsidiary Barings GmbH (formerly known as Barings Real Estate Advisers GmbH) to the Company. In addition during the year the Company's subsidiary Barings Finland Oy was liquidated.

Barings Europe Limited

Notes to the Financial Statements (continued)

12. Investments in subsidiaries - Company and Group (continued)

Investments in subsidiaries - Company (continued)

The directly held subsidiary undertakings of the Company, which are 100 per cent owned, are as follows:

| Name of Company | Country of Incorporation | Registered Address | Principal Activity |
|-----------------------------------------|--------------------------|--------------------------------------------|------------------------------|
| Baring Asset Management Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Investment management |
| Barings GmbH | Germany | Guillettstraße 54, 60325 Frankfurt am Main | Investment management |
| Barings Real Estate UK Holdings Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Dormant |
| Barings Italy Srl | Italy | Via Fatebenefratelli, Milan | Client liaison and marketing |
| Barings Asset Management Spain SL | Spain | C/Serrano, 38, 28001, Madrid | Client liaison and marketing |
| Barings Sweden AB | Sweden | Norrandsgatan 22, 11143, Stockholm | Client liaison and marketing |
| Barings Netherlands B.V. | Netherlands | Gustav Mahlerplein 28, Amsterdam | Client liaison and marketing |

Investments in subsidiaries - Group

The indirectly held subsidiary undertakings of the Company, which are all 100 per cent owned bar Cornerstone German Retail Fund General Partner B.V. and Barings China A-Share Private Securities Investment Fund in which the equity ownership is 90 and 59 per cent respectively, are as follows:

| Name | Country of Incorporation | Registered Address | Principal Activity |
|------------------------------------------------------|--------------------------|-----------------------------------------------------|------------------------------|
| Baring International Investment Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Investment management |
| Baring Fund Managers Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Investment management |
| Baring Investment Services Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Administration services |
| Baring International Investment Management Holdings | England and Wales | 20 Old Bailey, London, EC4M 7BF | Holding company |
| Baring Asset Management UK Holdings Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Holding company |
| Baring International Fund Managers (Ireland) Limited | Ireland | Georges Court, 70 Rogerson's Quay, Dublin 2 | Investment management |
| Baring France SAS | France | 35 Avenue Franklin Roosevelt, 75008 Paris | Client liaison and marketing |
| Baring Asset Management Switzerland S.à r.l. | Switzerland | Rue du Marché 28, 1204, Geneva | Client liaison and marketing |
| Barings Global Advisers Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Dormant |
| Protego Real Estate Investors GP Limited | England and Wales | 20 Old Bailey, London, EC4M 7BF | Dormant |
| PREIF Holdings Limited Partnership | Scotland | Blue Square House, 272 Bath Street, Glasgow, G2 4JR | Dormant |
| Cornerstone German Retail Fund General Partner B.V. | Netherlands | Beursplein 37, 3011 AA Rotterdam | General Partner |
| Lanario General Partner B.V. | Netherlands | Beursplein 37, 3011 AA Rotterdam | General Partner |
| Munster Borkstrasse General Partner B.V. | Netherlands | Beursplein 37, 3011 AA Rotterdam | General Partner |
| Triguero General Partner B.V. | Netherlands | Beursplein 37, 3011 AA Rotterdam | General Partner |
| Zafferano General Partner B.V. | Netherlands | Beursplein 37, 3011 AA Rotterdam | General Partner |
| Barings European Core Property Fund GP S.à r.l. | Luxembourg | 6 Rue Eugène Ruppert, L-2453 | General Partner |

Barings Europe Limited

Notes to the Financial Statements (continued)

12. Investments in subsidiaries - Company and Group (continued)

Investments in subsidiaries - Group (continued)

| Name | Country of Incorporation | Registered Address | Principal Activity |
|----------------------------------------------------------------------|--------------------------|------------------------------------------------------------|-------------------------|
| Barings Core Fund Feeder 1 GP S.à r.l. | Luxembourg | 6 Rue Eugène Ruppert, L-2453 | General Partner |
| Barings Real Estate Value Add 1 GP S.à r.l. | Luxembourg | 6 Rue Eugène Ruppert, L-2453 | General Partner |
| Barings Real Estate European Value Add 1 LP S.à r.l. | Luxembourg | 6 Rue Eugène Ruppert, L-2453 | Limited Partner |
| Barings European Direct Lending I GP LLP | England and Wales | 20 Old Bailey, London, EC4M 7BF | General partner |
| BCGSS 2 GP LLP | England and Wales | 20 Old Bailey, London, EC4M 7BF | General partner |
| Barings GPC GP S.à r.l. | Luxembourg | 80 Route d'Esch L-1470 | General partner |
| Barings Investment Fund (LUX) GP S.à r.l. | Luxembourg | 80 Route d'Esch L-1470 | General partner |
| Barings GPLF4(S) GP S.à r.l. | Luxembourg | 80 Route d'Esch L-1470 | General partner |
| Barings BME GP S.à r.l. | Luxembourg | 6 Rue Eugène Ruppert, L-2453 | General partner |
| Barings Umbrella Fund (LUX) GP S.à r.l. | Luxembourg | 2-4 Rue Eugène Ruppert, L-2453 | General partner |
| Barings China Aggregate Bond Private Securities Investment Fund No.1 | China | 4501 IFC2, 8 Century Avenue, Pudong New District, Shanghai | Open ended private fund |
| Barings China A-Share Private Securities Investment Fund | China | 4501 IFC2, 8 Century Avenue, Pudong New District, Shanghai | Open ended private fund |

Applications were made to Companies House in 2021 for the 100 per cent owned subsidiaries Barings Real Estate (Continental Europe) Limited, Almack Mezzanine Fund II Limited and Almack Mezzanine GP III Limited to be struck off the Register of Companies. Barings Real Estate (Continental Europe) Limited was dissolved on 1 February 2022 and the expectation is that the other two entities will be formally closed in 2022.

In addition a Group company at the year end is the sole limited partner of the following three Luxembourg investment partnerships and thus they are subsidiaries of the Group. The expectation is that the Group company will cease to be a limited partner during 2022 once third party investors invest in the partnerships.

Barings Global Diversified Private Credit Fund 1 SCSp
 Barings Developed Europe Private Loan Fund 1 SCSp
 Barings Developed Europe Real Estate Debt Fund 1 SCSp

The Company has provided a guarantee for all outstanding liabilities to which the below subsidiary companies are subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and the guarantee is enforceable against the Company by any person to whom the subsidiary is liable in respect of these liabilities.

The subsidiary companies, by virtue of the guarantee, are entitled to an exemption from an audit under section 479A of the Companies Act:

- Barings Real Estate UK Holdings Limited
- Baring Investment Services Limited
- Baring International Investment Management Holdings
- Baring Asset Management UK Holdings Limited
- Barings European Direct Lending 1 GP LLP
- BCGSS 2 GP LLP
- Barings Real Estate (Continental Europe) Limited
- Almack Mezzanine Fund II Limited
- Almack Mezzanine GP III Limited

Barings Europe Limited

Notes to the Financial Statements (continued)

13. Deferred taxation - Group

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|--------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Difference between accumulated depreciation and capital allowances | 9 | 11 | (274) | (283) | (265) | (272) |
| Unused tax losses | 1,432 | 3,609 | — | — | 1,432 | 3,609 |
| Other timing differences | 4,555 | 3,553 | (14) | (92) | 4,541 | 3,461 |
| Deferred tax asset/(liabilities) | <u>5,996</u> | <u>7,173</u> | <u>(288)</u> | <u>(375)</u> | <u>5,708</u> | <u>6,798</u> |

In addition to the deferred tax asset above, the Group has unrecognised deferred tax assets relating to tax losses of £740,000 (2020: £595,000). Deferred tax assets with respect to losses have only been recognised where there is sufficient certainty that profits will be available to offset the losses in future periods. The Group also has an unrecognised deferred tax asset of £1,267,000 (2020: £963,000) which arises due to timing differences with respect to deferred compensation arrangements where there is not sufficient certainty regarding the timing of payments to staff to be able to justify that the potential deferred tax asset would reverse in the next five years.

The deferred tax asset expected to reverse within one year of the balance sheet date is £1,972,000 (2020: £3,024,000). The expected reversal in both the current and prior year relates primarily to the realisation of unused tax losses.

The deferred tax liability expected to reverse within one year of the balance sheet date is £146,000 (2020: £134,000). The expected reversal in both the current and prior year is primarily due to tax allowances for qualifying fixed assets which are expected to be less than the depreciation accounted for on these assets in the year.

14. Debtors - Group and Company

| | Group | Group | Company | Company |
|------------------------------------------------|---------------|----------------|---------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| Fee debtors | 19,860 | 34,023 | — | — |
| Mutual fund debtors | 6,726 | 14,309 | — | — |
| Amounts owed by Barings LLC & its subsidiaries | 19,938 | 14,751 | 10,911 | — |
| Other debtors | 9,307 | 12,103 | 4 | 13 |
| Prepayments and accrued income | 39,424 | 29,764 | — | — |
| | <u>95,255</u> | <u>104,950</u> | <u>10,915</u> | <u>13</u> |

All debtors are due within one year.

15. Cash and cash equivalents - Group and Company

| | Group | Group | Company | Company |
|--------------------------|----------------|----------------|--------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash at bank and in hand | <u>125,580</u> | <u>123,565</u> | <u>4,136</u> | <u>—</u> |

Barings Europe Limited

Notes to the Financial Statements (continued)

16. Creditors - Group and Company

| | Group | Group | Company | Company |
|--------------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| Current | | | | |
| Mutual fund creditors | 6,910 | 14,628 | — | — |
| Amounts owed to Barings LLC and its subsidiaries | 13,308 | 17,539 | 14,037 | 8,214 |
| Accruals and deferred income | 81,326 | 78,896 | 185 | 34 |
| Other creditors including taxation and social security | 18,392 | 20,893 | 43 | — |
| | <u>119,936</u> | <u>131,956</u> | <u>14,265</u> | <u>8,248</u> |
| | | | | |
| | Group | Group | | |
| | 2021 | 2020 | | |
| | £'000 | £'000 | | |
| Non-current | | | | |
| Accruals and deferred income | 9,414 | 8,037 | | |
| Other creditors including taxation and social security | 8,495 | 9,705 | | |
| | <u>17,909</u> | <u>17,742</u> | | |

17. Pension scheme costs - Group

| | 2021 | 2020 |
|-----------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Defined contribution scheme costs | 6,099 | 5,603 |
| | <u>6,099</u> | <u>5,603</u> |

18. Financial instruments at fair value through profit and loss - Group and Company

| | Group | Group | Company | Company |
|-------------------------------------------------------|--------------|--------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| Assets measured at fair value through profit and loss | 19,256 | 6,904 | 5,799 | — |

There are no financial instrument liabilities at the year end.

Financial instruments at fair value are shown in note 10. The valuation of investments has been categorised by levels. Level 1 is the quoted market price and level 2, in the absence of a quoted price, is the net asset value of the underlying investment at the year end. Level 3 is where a fair value cannot be found by using readily observable inputs or measures. The fair value of equities, mutual funds and private equity funds held by the Group is the quoted market price or when there is no price due to quarterly priced unlisted funds having not yet published their year-end NAV, the value has been determined using the latest available price adjusted to take into account empirical data. The credit risk for the investments cannot be reliably measured. Forward foreign exchange contracts are measured at the profit or loss that would be realised if the open positions were closed out at the year end with the counterparty.

Barings Europe Limited

Notes to the Financial Statements (continued)

18. Financial instruments at fair value through profit and loss - Group and Company

Financial risk management

The principal risk types faced by the Group are in relation to financial instruments, whether held directly on the statement of financial position: balance sheet or indirectly through client mandates, are as follows:

- Credit risk: the risk of loss resulting from the failure of a third party to meet its financial obligations to the Group, including failure to perform them in a timely manner.
- Market risk: the risk that changes in the level of interest rates, the rate of exchange between currencies or the price of securities or other financial contracts, including derivatives, will have an adverse impact on the results of operations or financial condition of the Group.
- Liquidity risk: the failure of the Group to maintain sufficient liquidity levels to enable it to meet its financial obligations as they fall due.
- Operational risk: see the Directors' Report.

The Group's approach to managing each of these risks is set out below and in the Directors' Report.

Market risk

The Group does not run a trading book and is not directly exposed to market risk other than in the investments recorded in note 10 which comprise:

- investments in mutual funds to hedge potential liabilities
- underlying investments of mutual funds to which the Group has provided seed capital
- an allocation of membership shares in SWIFT
- investments in closed private equity funds
- investments in illiquid shares
- forward foreign exchange contract

The Group is exposed to the Chinese Renminbi due to the investments in the Barings China Aggregate Bond Private Securities Investment Fund No.1 and Barings China A-Share Private Securities Investment Fund. The balance sheet exposure caused by the investments has been hedged with a forward foreign exchange contract.

A 5% decrease in the value of Pound Sterling would change the value of the forward foreign exchange contract outstanding at the year end (a 5% increase would have the opposite impact) by £513,000 (2020: £176,000).

Liquidity risk

The Group ensures that adequate levels of liquidity are maintained well in excess of its current and total liabilities.

19. Share capital - Group and Company

| | 2021 | 2020 |
|-------------------------------------------|----------|----------|
| | £'000 | £'000 |
| Allotted, called up and fully paid | | |
| Ordinary shares at £1 each | <u>—</u> | <u>—</u> |

In 2020 the Company undertook a capital reduction whereby one of its three ordinary shares that had been allotted at 31 December 2019 was cancelled and distributed to the sole member of the Company. At 31 December 2021 and 2020 there are 2 ordinary shares allotted, called up and fully paid.

Barings Europe Limited

Notes to the Financial Statements (continued)

20. Operating leases – Group

Annual commitments under non-cancellable operating leases are as follows:

| | 2021 £'000 | 2020 £'000 |
|------------------------------------------------------------|---------------|----------------|
| Land and buildings | | |
| Non-cancellable operating lease rental payable as follows: | | |
| Less than one year | 9,420 | 9,483 |
| Between one and five years | 36,711 | 36,746 |
| Over five years | 49,418 | 58,579 |
| | <u>95,549</u> | <u>104,808</u> |

During the year £7,984,000 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £8,004,000).

21. Contingencies - Group

The Group has provided a guarantee in relation to an office lease which it assigned to a third party in January 2019. Under the terms of this guarantee, the Group has underwritten the amounts payable by the assignee in the event that *they were unable to fulfil their obligations under the lease contract. In November 2021 the assignee was placed into administration*, however the administrator continues to operate the business from the premises and pay the associated occupancy costs. Should the administrator default or surrender the lease, the potential payments due by the Group would be £5.15 million per annum based on current rent and service charge levels. The lease expires in October 2025.

22. Immediate and ultimate parent company

The Company's immediate parent company is Barings Guernsey Limited, which does not prepare consolidated financial statements.

As at 31 December 2021, the Company's ultimate parent company is Massachusetts Mutual Life Insurance Company, which is incorporated in the U.S.A. The ultimate controlling party is Massachusetts Mutual Life Insurance Company. Massachusetts Mutual Life Insurance Company prepares consolidated financial statements that can be found on their website.

23. Related Party disclosure - Group

As the Company is a wholly owned, indirect subsidiary of Massachusetts Mutual Life Insurance Company which prepares consolidated financial statements, the Company has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 and has therefore not separately disclosed transactions or balances with entities which form part of the Massachusetts Mutual Life Insurance Group.

The Company only has related parties which are members of the Group, but its subsidiaries provide investment management services to open and closed ended funds which are related parties external to the Massachusetts Mutual Life Insurance Group. The Group receives management fees as set out in the agreements with those funds. The total amount of management and performance fees received from the funds in 2021, included in note 2, was £265,115,000 (2020: £223,110,000). As at 31 December, in respect of the Group, the total amounts due from and to the funds included in notes 14 and 16 are respectively £49,962,000 (2020: £50,886,000) and £1,780,000 (2020: £5,128,000). There were no other related party transactions.

The remuneration of directors is disclosed in note 5.

24. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors do not believe that there are any judgements or estimates that they have made in the application of the accounting policies that have a significant effect on the financial statements or have a significant risk of material adjustment in the next year.

Barings Europe Limited

Notes to the Financial Statements (continued)

25. Subsequent events

On 1 January 2022, as part of the reorganisation of the European corporate structure, the Company purchased Barings (U.K.) Limited from Barings Guernsey Limited. Barings (U.K.) Limited is the company that manages Barings' European Collateralised Loan Obligations ("CLOs") business. Barings (U.K.) Limited had net assets at 31 December 2021 totalling £101million. The Company issued 1 ordinary share at a premium of £31,860,000 as consideration to Barings Guernsey Limited.

On 24 February 2022, Russia invaded Ukraine. The ensuing conflict and related sanctions may cause additional financial market volatility and impact the global economy, thereby reducing the value or impairing the performance of the investments made by the Group and the funds it manages. It is not currently possible to estimate what the financial impact of this event will be to the Company, or the Group.

There are no other subsequent events that have occurred up until the date that the financial statements were available to be issued that the Company believes necessitates disclosure or adjustment.