

Baring Investment Services Limited

Registration Number: 2259590

**Director's Report And Financial Statements
For The Year Ended
31 December 2008**

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Baring Investment Services Limited

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Baring Investment Services Limited

Company Information

Director

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

Secretaries

S Okoro
R J Dillman (resigned 21 October 2008)
P Walsh (appointed 21 October 2008)

Company Registration Number

2259590

Auditors

KPMG Audit Plc
Canary Wharf
1 Canada Square
London
E14 5AG

Directors' Report

The directors present the annual report and audited financial statements of Baring Investment Services Limited (the "Company") for the year ended 31 December 2008.

Principal activity

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

Business review

The profit for the year amounted to £523,263 (2007: loss £37,557). At the year end, the Company's net asset position had increased by £523,263 and its investments in tangible fixed assets had increased by 25% from £5,825,705 to £7,294,949 due to additions being greater than the depreciation charge for the year.

Key performance indicators

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

	2008	2007
	£	£
Turnover	30,805,874	28,786,830
Profit before taxation	898,931	99,994
Net assets	1,577,180	1,053,917

Risk management

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

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

i) Strategic risks

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

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

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

ii) Operational risks

The most significant operational risks facing the Group are:

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

Baring Investment Services Limited

Directors' Report (continued)

ii) Operational risks (continued)

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

Dividends

The directors do not propose the payment of a dividend (2007: £nil).

Employment policies

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

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

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

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

Directors

The directors shown on page 2 served throughout the year, except as follows:

J T Swayne (appointed 22 September 2008)

J Misselbrook (appointed 22 September 2008)

S J Pearson (appointed 22 September 2008)

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Baring Investment Services Limited

Directors' Report (continued)

Disclosure of information to auditors

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

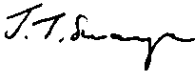
Auditors

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

Insurance for directors

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

By order of the Board



J T Swayne
Director
27 March 2009

Baring Investment Services Limited

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

We have audited the financial statements of Baring Investment Services Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date:

27 March 2009

Baring Investment Services Limited

**Profit and Loss Account
for the year ended 31 December 2008**

	Notes	2008 £	2007 £
Income	2	30,805,873	28,786,830
Administrative expenses	3	<u>(29,923,063)</u>	<u>(28,729,829)</u>
Operating profit		882,810	57,001
Other interest receivable and similar income		<u>16,121</u>	<u>42,993</u>
Profit on ordinary activities before taxation		898,931	99,994
Tax on profit on ordinary activities	6	<u>(375,668)</u>	<u>(137,551)</u>
Profit/(loss) for the year	15	<u>523,263</u>	<u>(37,557)</u>

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

All the results arise from continuing operations.

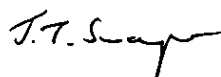
Baring Investment Services Limited

**Balance Sheet
as at 31 December 2008**

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	7	-	17,028
Tangible assets	8	<u>7,294,949</u>	<u>5,825,705</u>
		7,294,949	5,842,733
Current assets			
Debtors	9	5,114,456	5,268,662
Cash at bank and in hand		<u>474,480</u>	<u>268,332</u>
		5,588,936	5,536,994
Creditors: Amounts falling due within one year	10	<u>(11,306,705)</u>	<u>(10,325,810)</u>
Net current liabilities		<u>(5,717,769)</u>	<u>(4,788,816)</u>
Net assets		<u>1,577,180</u>	<u>1,053,917</u>
Capital and reserves			
Called up share capital	13	200	200
Share premium account	14	3,368,926	3,368,926
Profit and loss account	14	<u>(1,791,946)</u>	<u>(2,315,209)</u>
Shareholders' funds		<u>1,577,180</u>	<u>1,053,917</u>

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

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



J T Swayne
Director
27 March 2009

Baring Investment Services Limited

Notes to the Financial Statements

1. Accounting policies

a. Basis of accounting

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

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

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

b. Income

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

c. Depreciation

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

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

d. Taxation

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

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

e. Operating leases

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

f. Foreign currency translation

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

g. Post-retirement benefits

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

Baring Investment Services Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

h. Research and development

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

i. Deferred compensation

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

j. Financial risk management

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

2. Income

	2008 £	2007 £
Recovery of costs incurred on behalf of group undertakings	30,367,751	28,772,646
Other income	438,122	14,184
	<u>30,805,873</u>	<u>28,786,830</u>

3. Administrative expenses

	2008 £	2007 £
Auditors' remuneration		
- Audit of these financial statements	-	75,810
- Other audit services	2,990	58,000
Depreciation	2,263,649	2,334,629
Operating lease rentals	3,731,027	3,692,833
Other operating expenses	23,925,397	22,568,557
	<u>29,923,063</u>	<u>28,729,829</u>

From 1 January 2008, fees for the audit of the Company's financial statements were borne by Baring Asset Management Limited, a fellow group undertaking.

4. Employees

The average number of staff employed in management and administration by the Company during the year ended 31 December 2008 was 167 (2007: 160). These employees are legally employed by Baring Asset Management Limited and their respective costs are recharged to the relevant group company. Aggregate remuneration of all employees was:

	2008 £	2007 £
Salaries	9,862,778	9,787,220
Social security costs	1,002,626	1,058,430
Other pension costs	1,316,690	1,279,865
	<u>12,182,094</u>	<u>12,125,515</u>

Baring Investment Services Limited

Notes to the Financial Statements (continued)

5. Directors' remuneration

	2008 £	2007 £
Directors' emoluments	330,802	-
Company contributions to money purchase pension schemes	24,622	-
	Number of directors	
	2008	2007
Retirement benefits are accruing to the following number of directors under money purchase schemes	3	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £168,939, and Company pension contributions of £5,695 were made to a money purchase scheme on his behalf.

6. Taxation

	2008 £	2007 £
a) Analysis of the charge in the year		
<i>Current tax</i>		
UK corporation tax at 28.5% (2007: 30%)		
Current year	345,410	78,038
Over accrued in prior year	9,407	(15,471)
Total current tax	<u>354,817</u>	<u>62,567</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences:		
Current year	(23,799)	61,101
Prior year	44,650	13,883
Total deferred tax	<u>20,851</u>	<u>74,984</u>
Total tax charge on profit on ordinary activities	<u>375,668</u>	<u>137,551</u>

b) Factors affecting the tax charge for the year

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax in the UK: 28.5% (2007:30%). The differences are explained below:

	2008 £	2007 £
Current tax reconciliation		
Profit on ordinary activities before tax	<u>898,931</u>	<u>99,994</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 28.5% (2007: 30%)	256,170	29,999
Effects of:		
Expenses not deductible for tax purposes	65,441	111,443
Non taxable income	-	(2,303)
Capital allowances for period less than /(in excess of) depreciation	23,799	(61,101)
Adjustment to tax charge in respect of previous years	9,407	(15,471)
Total current tax	<u>354,817</u>	<u>62,567</u>

c) Factors that may affect future tax charges

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

Baring Investment Services Limited

Notes to the Financial Statements (continued)

7. Intangible fixed assets

	£
Cost	
1 January & 31 December 2008	<u>272,223</u>
Depreciation	
1 January 2008	255,195
Charge for the year	<u>17,028</u>
31 December 2008	<u>272,223</u>
Net book value	
1 January 2008	<u>17,028</u>
31 December 2008	<u>-</u>

8. Fixed assets

	Leasehold property & improvements	Furniture & fittings	Motor vehicles	Computer equipment	Total
Cost					
At 1 January 2008	6,732,128	6,781,627	26,406	18,743,194	32,283,355
Additions	-	206,897	-	3,508,968	3,715,865
Disposals	-	-	-	(166,596)	(166,596)
31 December 2008	<u>6,732,128</u>	<u>6,988,524</u>	<u>26,406</u>	<u>22,085,566</u>	<u>35,832,624</u>
Depreciation					
At 1 January 2008	5,948,418	3,916,170	26,406	16,566,656	26,457,650
Charge for the year	50,820	435,608	-	1,760,193	2,246,621
Disposals	-	-	-	(166,596)	(166,596)
31 December 2008	<u>5,999,238</u>	<u>4,351,778</u>	<u>26,406</u>	<u>18,160,253</u>	<u>28,537,675</u>
Net book value					
1 January 2008	783,710	2,865,457	-	2,176,538	5,825,705
31 December 2008	<u>732,890</u>	<u>2,636,746</u>	<u>-</u>	<u>3,925,313</u>	<u>7,294,949</u>

9. Debtors

	2008 £	2007 £
Amounts owed by group undertakings	561,673	737,142
Other debtors	1,531,430	1,080,183
Prepayments and accrued income	<u>3,021,353</u>	<u>3,451,337</u>
	<u>5,114,456</u>	<u>5,268,662</u>

Of the above prepayments and accrued income balance, £558,329 (2007: £579,180) relates to a deferred taxation asset, see note 11.

10. Creditors: Amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	9,743,471	8,661,903
Other creditors including taxation and social security	500,597	152,407
Accruals and deferred income	<u>1,062,637</u>	<u>1,511,500</u>
	<u>11,306,705</u>	<u>10,325,810</u>

Baring Investment Services Limited

Notes to the Financial Statements (continued)

11. Deferred taxation asset

	2008	2007
	£	£
At 1 January	579,180	654,164
Transfer from profit & loss	(20,851)	(74,984)
At 31 December	<u>558,329</u>	<u>579,180</u>

The elements of deferred taxation are as follows:

Difference between accumulated depreciation / amortisation and capital allowances	<u>558,329</u>	<u>579,180</u>
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12. Operating leases

	2008	2007
	£	£
At 31 December 2008 the Company had annual commitments under operating leases as follows:		
Expiring in two to five years	379,696	-
Expiring in over five years	<u>4,267,292</u>	<u>3,642,907</u>

13. Share capital

	2008	2007
	£	£
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid:		
200 ordinary shares of £1 each	<u>200</u>	<u>200</u>

14. Share premium and reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2008	3,368,926	(2,315,209)	1,053,717
Profit for the year	-	523,263	523,263
At 31 December 2008	<u>3,368,926</u>	<u>(1,791,946)</u>	<u>1,576,980</u>

15. Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Opening shareholders' funds	1,053,917	1,091,474
Profit/(loss) for the year	<u>523,263</u>	<u>(37,557)</u>
Closing shareholders' funds	<u>1,577,180</u>	<u>1,053,917</u>

16. Pension scheme

The Company contributes to the Baring Asset Management Retirement Plan (the "Plan"), a defined contribution scheme in the United Kingdom. The total pension cost for the company in respect of 2008 was £1,316,691 (2007: £1,279,865) and represents contributions payable by the Company to the Plan.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

17. Ultimate parent company

The Company's immediate parent company is Baring Asset Management Limited and ultimate parent company is Massachusetts Mutual Life Insurance Company.

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

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