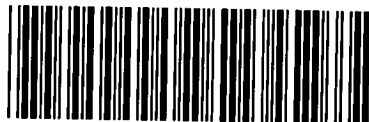


Baring Investment Services Limited

Registration Number: 2259590

**Directors' Report And Financial Statements
For The Year Ended
31 December 2019**

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Baring Investment Services Limited

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Baring Investment Services Limited

Company Information

Directors

Baring Asset Management Limited

J T Swayne

H Patel

Secretaries

N E Evans

C DeFrancis

Company Registration Number

2259590

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Registered Office

20 Old Bailey
London
EC4M 7BF

Baring Investment Services Limited

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 the business of Baring Investment Services Limited ("the Company") and future developments, a description of the principal risks and uncertainties facing Barings Europe Limited and its subsidiary companies ("the Group") and key performance indicators.

Business review and future developments

In 2016 the Company merged with three fellow investment groups which were all owned by the MassMutual Group. Following a business review, it was decided to re-organise the structure of the amalgamated companies. The Company became the administrative service company for the United Kingdom entities and all their staff's contracts were changed on 1 July 2018 so that they became employees of the Company.

From 1 July 2018, expenses previously recorded in other Group companies were charged to the Company and then recovered from Group companies. Thus the reason for the significant increase in turnover and administrative expenses in 2019, compared to 2018, is due to 2019 including 6 months of costs which in 2018 were recorded in other Group companies. The profit after tax was £1.1m (2018: loss £2.5m). The principal reason for the increased profitability of £3.6m is due to the tax charge in 2018 of £3.4m on profits of £0.9m. By way of background, in 2017 when an onerous lease expense of £15.5m was provided, it was envisaged that the disposal of the lease would be construed so that the cost was allowable for tax. The actual terms of the disposal of the lease in 2019 have meant that the cost is not allowable for tax; this has caused the high tax charge in 2018.

The Company's cash balance has fallen £19m. The principal reason for the decrease is settlement of liabilities related to the onerous lease and intra Group balances.

The Group is seeking 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.

Key performance indicators

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

	2019	2018
	£	£
Turnover	156,538,103	97,146,176
Profit before taxation	849,294	879,790
Net assets	3,299,288	2,247,066

Principal risks and uncertainties

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

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

Operational risk: see the Directors' Report for details.

Employees

The Company 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 Company 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.

Baring Investment Services Limited

Strategic Report (continued)

Employees (continued)

The Company attaches a high priority to developing the skills of all employees and to their training and, where necessary, their retraining. The performance assessment system assists management in career development and succession planning. Promotion from within the Company is strongly supported. The Company encourages the involvement of all of its employees in its overall performance and profitability through discretionary bonus and profit sharing incentive schemes, which are based on the financial results of the Group and Barings LLC.

Gender Pay Gap

Embracing diversity is embedded in the Company's corporate culture and gender is an important part of its diversity initiatives. The Company's latest gender pay gap report can be found at <https://www.barings.com/assets/user/content/Barings-Gender-Pay-Gap-Report-2018.pdf>. The publication of the 2019 report has been delayed by the COVID-19 pandemic but the Company intends to issue the report later in the year.

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 is 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 Company 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 Company is to minimise any impact on the environment by:

- Preventing pollution, 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 Company 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 Company 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 and all staff 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, including but not limited to the following:

- The Company's customers - the firm is dedicated to meeting the evolving investment and capital needs of its customers and servicing them to the best of its ability;
- The Company's shareholders - as a wholly owned, indirect subsidiary of MassMutual, the Company does not have to manage potential conflicts that may otherwise arise between different shareholders. The Group tries to manage the business for the long term benefit of MassMutual, as evidenced by the investment made in the organisation's Irish platform as described in detail below;
- The Company'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 as noted earlier in this report;
- The Company's suppliers - Barings is committed to paying its suppliers on time and resolving any issues that may arise on a fair and equitable basis. As detailed above, the Company has established systems and controls to ensure slavery and human trafficking are not taking place within its supply chains;
- The environment - the measures taken by the Company to minimise its impact on the environment are stated earlier in this report; and

Baring Investment Services Limited

Strategic Report (continued)

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

- The various local communities in which the Company operates - in addition to providing financial support to a number of local charities, Barings offers volunteering days to staff so that they can become personally involved in the work these charities perform within the community.

Britain Exiting from the EU ("Brexit")

Overview

The UK left the EU on 31 January 2020, immediately entering into a transition or implementation period (the "Implementation Period"). During the Implementation Period, a standstill is in place, whereby pre-Brexit trading arrangements between the EU27 and the UK continue. The purpose of the Implementation Period is to allow time for a new deal on the future relationship between the EU and UK to be negotiated. During the Implementation Period, the UK remains in the EU27's Customs Union and Single Market, but outside its political institutions. The Implementation Period will expire at the end of 2020, although the withdrawal agreement contains provisions enabling it to be amended for up to two years. Negotiations between the UK and the EU27 regarding the future relationship are due to begin in the second quarter of 2020. It is unclear what arrangements will apply with respect to financial services after the Implementation Period. However, Barings' working assumption is that such arrangements will not be less advantageous than those contemplated in relation to a "no deal" Brexit before the withdrawal agreement was concluded.

The day-to-day business of Barings is expected to continue substantially as at the present time and in particular it is envisaged that client portfolios will continue to be managed as they are currently. Barings as a whole remains fully committed to its global strategy through which c. US\$338.66 billion is managed for clients globally (as at 31 December 2019) providing institutional quality investment capabilities in fixed income, equities, multi-asset, real assets, real estate and alternatives. Brexit does not change the firm's focus of creating and sustaining a unified global footprint for future growth. Barings remains committed to its global asset management franchise, which includes its business infrastructure in the UK. Notwithstanding the continuation of day-to-day business however, Barings is aware of the potential challenges posed by Brexit. Many of these result from the anticipated loss after Brexit by Barings' UK asset managers of the cross-border aspects of their regulatory permissions, to the extent that such permissions are derived from EU law (in particular MiFID II, UCITS and AIFMD). The principal aspects of Barings' business facing Brexit related challenges are as follows:

- The distribution of Barings' UK domiciled products into EU27
- The distribution of Barings' EU27 domiciled products into the UK
- The marketing of Barings' investment services into EU27
- Delegation of discretionary portfolio management to Barings' UK asset managers
- Retention of (and access to) talent within EU27

Barings' Brexit Plan

Barings' aims to mitigate the loss of the EU passporting rights held by its UK regulated entities by maintaining regulatory continuity through its existing Irish asset management subsidiary, Baring International Fund Managers (Ireland) Limited ("BIFMI"). This entity is regulated by the Central Bank of Ireland (the "CBI") and is authorised as a UCITS Management Company/AIFM with a MiFID top-up (a Mega Manco). BIFMI manages a variety of products, including Barings' Irish UCITS range, its Qualifying Investor Alternative Investment Funds (QIAIFs) and a Lux-RAIF platform. BIFMI is being used to protect our investors and the wider Barings group against potential regulatory or other market access barriers related to Brexit. During 2018, Barings proactively extended BIFMI's regulatory permissions by way of a MiFID top-up to enable BIFMI to take on separate accounts and enable it to act as Barings' sales hub into EU27. BIFMI received its MiFID top-up authorisation on 21 December 2018. In conjunction with its MiFID top-up application, Barings opened an office in Dublin, which is now fully operational with thirteen full time employees. Barings' Irish office is functionally integrated with the Barings team globally.

BIFMI now manages all of Barings' Irish UCITS funds and all of Barings' EU27 AIFs. As a consequence, Barings will be able to use BIFMI's existing marketing permissions to continue to market those products into EU27, unaffected by Brexit. The depositaries/custodians and administrators of such funds are also EU27 entities. After Brexit, Barings' EU27 platforms will continue to delegate portfolio management to its UK asset management entities.

Baring Investment Services Limited

Strategic Report (continued)

Barings' Brexit Plan (continued)

Barings believes that a diverse workforce is a key contributor to the firm's success. It continues to monitor the immigration situation regarding its employees who are EU27 nationals. During the implementation period, freedom of movement rules continue to apply. From 2021 the UK intends to introduce an Australian points-based system for all migrants, details of which are expected shortly. In the meantime, the UK government has set up a scheme enabling EU27 nationals in the UK to apply for "Settled Status" or "Pre-Settled Status" to secure their residency rights in the UK prior to the end of the implementation period. Barings is committed to supporting its EU27 employees in this regard.

To facilitate distribution of its EU27 funds into the UK after Brexit, Barings has entered them into the FCA's Temporary Permissions Regime ("TPR"). On 30 January 2020, the TPR notification window closed. Products in the TPR may continue to be distributed in the UK. Notwithstanding the closure of the window, new UCITS may be entered into the TPR to the extent the relevant umbrella has an existing sub-fund in the TPR. Other products which have not been entered into the TPR on or prior to 30 January 2020 may be marketed to institutional investors via the UK's National Private Placement regime (NPPR). Following analysis of the investor base, Barings created "mirror" funds on its Irish UCITS platform for certain of its UK unit trusts (namely, Barings German Growth Trust and Barings Europe Select Trust). The "mirror" funds have substantially the same investment guidelines as the corresponding UK unit trusts. "Mirror" funds also exist on the Barings Irish UCITS platform for certain other Barings UK unit trusts (including Barings Eastern Trust and Barings European Growth Trust).

Impact of Brexit on the Company

As the designated service company to the other Barings entities in the UK, the Company's performance is closely linked to that of the Barings franchise as a whole and accordingly it should benefit from the Brexit plans described above. Nonetheless, it is the case that from a standalone perspective, Brexit presents the Company with certain risks and challenges that are to some extent specific to its own operations. In particular, as the employer of all UK staff and the contracting entity for the majority of the firm's UK operations, it is exposed to the risk of potential disruption were issues to arise either in relation to the ability of EU 27 staff to continue to work in the UK or in the event that third party firms used by the Company were to experience Brexit related problems of their own.

The number of EU staff employed by the Company in the UK is however relatively small and even in the event of a hard Brexit, these staff should be able to take advantage of the government's EU Settlement Scheme to continue living in the UK. The Company has arranged for legal advice to be provided to all staff who may be affected by this issue so that they are fully aware of the steps they may need to take to ensure continued residence in the UK.

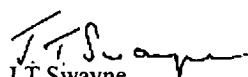
The Company operates a vendor oversight programme to ensure potential supplier issues of any type are identified as soon as possible. Nothing has arisen from this work that indicates the Company is likely to experience significant disruption to its operations as a consequence of Brexit.

The directors do not therefore believe that Brexit prejudices the Company's ability to continue to trade as a going concern.

Conclusion

Barings remains committed to protecting its clients and global franchise from any adverse impact from Brexit. Barings believes that the implementation of its Brexit strategy achieves those objectives. As noted above, the relationship between the UK and the EU after the end of the Implementation Period remains subject to negotiation. 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
20 Old Bailey
London
EC4M 7BF
Director

20 April 2020

Baring Investment Services Limited

Directors' Report

The directors present the annual strategic report, directors' report and financial statements of Baring Investment Services Limited (the 'Company'), registration number 2259590, for the year ended 31 December 2019.

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

Principal activity

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

Going concern

At 31 December 2019 the Company had net assets of £3.3m (2018: £2.2m) and net current liabilities of £18.8m (2018: net current liabilities £4.1m and a provision £14.7m settled in 2019). The Company's parent has however agreed to provide financial support to the Company for at least twelve months from the date of signing the financial statements and accordingly the directors have deemed it appropriate to prepare the accounts on a going concern basis.

The Board of Directors has considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The Company acts as the designated service company to the other Barings entities in the UK and its performance is closely linked to that of the Barings franchise as a whole. 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. Nonetheless from a standalone perspective the pandemic presents the Company with risks and challenges. The Board of Directors has considered the overall COVID-19 impact on the Company 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.

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 Barings Europe Limited 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 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.

The Group 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. 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.

Baring Investment Services Limited

Directors' Report (continued)

Risk management (continued)

ii) Operational risks (continued)

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 EMT meeting and formally assessed by an annual full top-down review and update.

Dividends

The directors did not declare a 2019 interim dividend for the Company during the year (2018: nil). The directors do not recommend the payment of a final dividend (2018: £nil).

Directors

The directors shown on page 2 served throughout the year.

Insurance for directors

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

Donations

Donations to charity and community projects made by the Company during the year amounted to £113,520 (2018: £122,818). No political contributions were made by the Company (2018: £nil).

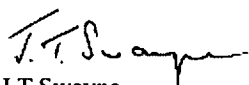
Disclosure of information to auditor

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
20 Old Bailey
London
EC4M 7BF
20 April 2020

Baring Investment Services Limited

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

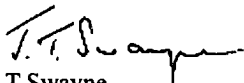
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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 Company and to prevent and detect fraud and other irregularities.

By order of the Board



J T Swayne
Director
20 Old Bailey
London
EC4M 7BF

20 April 2020

Independent Auditor's Report to the Members of Baring Investment Services Limited

Opinion

We have audited the financial statements of Baring Investment Services Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 Company's affairs as at 31 December 2019 and of its 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 Company 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 Company or to cease its operations, and as they have concluded that 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

Independent Auditor's Report to the Members of Baring Investment Services Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 9, 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 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 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.

Sinead O'Reilly

**Sinead O'Reilly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

23 April 2020

Baring Investment Services Limited

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2019

	Notes	2019	2018
		£	£
Turnover	2	156,538,103	97,146,176
Administrative expenses	3	<u>(156,018,028)</u>	<u>(95,987,060)</u>
Operating profit		520,075	1,159,116
Interest receivable and similar income	4	332,415	—
Interest payable and similar charges	5	<u>(3,196)</u>	<u>(279,326)</u>
Profit on ordinary activities before taxation		849,294	879,790
Tax on profit on ordinary activities	8	<u>202,928</u>	<u>(3,414,331)</u>
Profit/(loss) for the financial year		<u>1,052,222</u>	<u>(2,534,541)</u>

The notes on pages 15 to 22 form part of these financial statements.

There is no Other Comprehensive Income.

All the results arise from continuing operations.

Baring Investment Services Limited

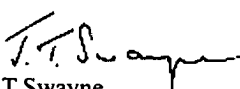
Balance Sheet

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Non current assets			
Tangible fixed assets	9	28,743,843	31,101,582
Deferred tax asset	10	2,475,627	254,998
Current assets			
Debtors	11	49,306,382	75,437,909
Deferred tax asset	10	825,210	85,000
Cash at bank		2,565,618	21,678,036
		<u>52,697,210</u>	<u>97,200,945</u>
Creditors: Amount falling due within one year	12	<u>(71,504,092)</u>	<u>(101,295,636)</u>
Net current liabilities		<u>(18,806,882)</u>	<u>(4,094,691)</u>
Total assets less current liabilities		12,412,588	27,261,889
Non Current Liabilities			
Creditors	12	(9,113,300)	(10,282,225)
Provisions for liabilities and charges	13	<u>—</u>	<u>(14,732,598)</u>
Total net assets		<u>3,299,288</u>	<u>2,247,066</u>
Capital and reserves			
Called up share capital	15	200	200
Share Premium		3,368,926	3,368,926
Profit and loss account		<u>(69,838)</u>	<u>(1,122,060)</u>
Shareholders' funds		<u>3,299,288</u>	<u>2,247,066</u>

The notes on pages 15 to 22 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
 20 April 2020

Company registration number: 2259590

Baring Investment Services Limited

Statement of Changes in Equity

	Called up share capital £	Share Premium £	Profit and loss account £	Total equity £
For the year ended 31 December 2018				
Balance at 1 January 2018	200	3,368,926	1,412,481	4,781,607
Total comprehensive expense for the year				
Loss	—	—	(2,534,541)	(2,534,541)
Balance at 31 December 2018	200	3,368,926	(1,122,060)	2,247,066
For the year ended 31 December 2019				
Balance at 1 January 2019	200	3,368,926	(1,122,060)	2,247,066
Total comprehensive income for the year				
Profit	—	—	1,052,222	1,052,222
Balance at 31 December 2019	200	3,368,926	(69,838)	3,299,288

The notes on pages 15 to 22 form part of these financial statements.

Baring Investment Services Limited

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

Baring Investment Services Limited (the “Company”) is a 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 pound sterling, which is the functional currency of the Company.

The Company is included in the consolidated financial statements of Barings Europe Limited, which are prepared in accordance with FRS102 and so the Company is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. In preparing the financial statements of the Company, advantage has been taken of the exemptions available under FRS 102 to not prepare a Cash Flow Statement.

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

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.

Measurement convention

The financial statements are prepared on the historical cost basis.

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 Strategic Report. In addition the 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.

Although the Company had net current liabilities at the year end, the Company received assurances from its parent that it will continue to have financial support for at least twelve months from the date of the signing of the financial statements.

The Board has considered the impact of the COVID-19 global pandemic, which has resulted in unprecedented risks and significant levels of volatility and reduced asset prices in global equity and bond markets. The Company acts as the designated service company to the other Barings entities in the UK and its performance is closely linked to that of the Barings franchise as a whole. 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. Nonetheless from a standalone perspective the pandemic presents the Company with risks and challenges. The Board has considered the overall COVID-19 impact on the Company 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment.

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

Baring Investment Services 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 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.

Basic financial instruments

Trade and other debtors are recognised on the balance sheet when 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 Company has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the liability is discharged.

Cash at bank comprises cash balances.

Turnover

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

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term, unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

In accordance with FRS 102 paragraph 20.15B, where an operating lease becomes an onerous contract, Section 21 "Provisions and Contingencies" shall apply. Under paragraph 21A.2 an onerous contract is defined as "one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it". The Company in 2018 recognised and measured the present obligation under its onerous contract and showed the obligation as a provision.

Post-retirement benefits

Defined contributions, in respect of all eligible employees, are charged to profits in respect of the current accounting period. The assets resulting from the contributions are held separately from those of the Company in Self Invested Personal Pensions.

Deferred compensation

The Company 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 Group and Barings LLC profitability.

Interest receivable and interest payable

Interest receivable and similar income includes net foreign exchange gains that are recognised in the profit and loss account (see foreign currencies accounting policy). Interest payable and similar expense includes net foreign exchange losses. Interest income and interest expense 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Taxation (continued)

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 Company 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.

2. Turnover

	2019	2018
	£	£
Recovery of costs incurred on behalf of Group undertakings	156,537,416	96,550,934
Other income	687	595,242
	<u>156,538,103</u>	<u>97,146,176</u>

3. Expenses and auditor's remuneration

	2019	2018
	£	£
Auditor's remuneration		
- Services relating to taxation	—	34,000
- Other services	—	18,000
Depreciation	4,428,820	4,488,758
Operating lease rentals (note 14)	7,092,736	11,056,258
Other operating expenses	144,496,472	80,390,044
	<u>156,018,028</u>	<u>95,987,060</u>

Fees for the audit of the Company's financial statements £74,980 (2018: £81,500) are borne by Baring Asset Management Limited, the Company's holding company.

4. Interest receivable and similar income

	2019	2018
	£	£
Exchange Gain	332,415	—
	<u>332,415</u>	<u>—</u>

Baring Investment Services Limited

Notes to the Financial Statements (continued)

5. Interest payable and similar charges

	2019	2018
	£	£
Interest payable	3,196	1,107
Loss on disposal of fixed asset	—	48,533
Exchange loss	—	229,686
	<u>3,196</u>	<u>279,326</u>

6. Employees

On 1 July 2018, as part of the reorganisation of the Group, all UK employees of the Group became legally employed by the Company and thus their costs were expensed in the Company. The figures for 2018 represent the staff costs and average headcount for the final six months of 2018. The aggregate remuneration of all employees was:

	2019	2018
	£	£
Salaries	95,295,927	50,930,703
Social security costs	13,616,069	7,203,023
Other pension costs	5,174,376	2,391,456
	<u>114,086,372</u>	<u>60,525,182</u>
	2019	2018
Average number of employees	<u>506</u>	<u>493</u>

7. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	362,827	379,455
Amounts receivable under long-term incentive schemes	71,173	46,847
Company contribution to money purchase pension schemes	19,501	18,699

Highest paid director

Directors' emoluments	217,807	150,610
Amounts receivable under long-term incentive schemes	7,723	43,001

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	1	1
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Baring Investment Services Limited

Notes to the Financial Statements (continued)

8. Taxation

a) Total tax (credit)/expense recognised in the profit and loss account, other comprehensive income and equity

	2019	2018
	£	£
<i>Current tax</i>		
UK corporation tax on income for the period	(302,074)	2,126,721
Adjustments in respect of prior periods	798,240	1,190,609
Total current tax	496,166	3,317,330
<i>Deferred tax (see note 10)</i>		
Origination and reversal of timing differences:		
Current year	591,466	1,004,400
Prior year	(1,290,560)	(907,399)
Total deferred tax	(699,094)	97,001
Total tax (credit)/expense	(202,928)	3,414,331

All of the tax (credit)/expense is recognised in the profit and loss account.

b) Reconciliation of effective tax rate

The tax credit for the year is lower (2018: tax expense higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

Reconciliation of effective tax rate

	2019	2018
	£	£
Profit for the year excluding taxation	849,294	879,790
Tax using the UK corporation tax rate of 19%	161,366	167,160
Non deductible expenses	310,536	3,082,126
Non taxable income	(112,926)	—
Effect of measurement of deferred tax at future rate of UK corporation tax	(69,584)	(118,165)
(Over)/ under provided in prior years	(492,320)	283,210
Total tax (credit)/expense included in profit and loss	(202,928)	3,414,331

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

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the tax credit in the profit and loss would have increased by £363,412 and the deferred tax asset and liability would have increased by respectively £388,334 and £24,922.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

9. Fixed assets

	Leasehold Property & Improvement £	Furniture & Fittings £	Computer Equipment £	Research & development £	Total £
Cost					
At 1 January 2019	26,483,786	2,962,309	3,017,606	2,117,849	34,581,550
Additions	1,601,627	446,334	23,120	—	2,071,081
December 31, 2019	28,085,413	3,408,643	3,040,726	2,117,849	36,652,631
Depreciation					
At 1 January 2019	608,522	169,832	1,342,527	1,359,087	3,479,968
Charge for the year	2,619,263	554,562	858,802	396,193	4,428,820
December 31, 2019	3,227,785	724,394	2,201,329	1,755,280	7,908,788
Net Book Value					
1 January 2019	25,875,264	2,792,477	1,675,079	758,762	31,101,582
December 31, 2019	24,857,628	2,684,249	839,397	362,569	28,743,843

10. Deferred taxation

The deferred tax asset and liability are attributable to:

	Asset		Liability		Net	
	2019	2018	2019	2018	2019	2018
Difference between accumulated depreciation and capital allowances	—	—	(211,838)	(109,659)	(211,838)	(109,659)
Other timing differences	3,300,837	339,998	—	—	3,300,837	339,998
Total deferred tax asset	3,300,837	339,998	(211,838)	(109,659)	3,088,999	230,339

The deferred tax asset and liability expected to reverse in 2020 are respectively £825,210 and £59,052.

The reversals relate to timing differences. The asset is primarily due to the recognition of expenses for tax purposes and the liability due to tax allowances for qualifying fixed asset expenditure being expected to be less than the depreciation accounted for on these assets in the year.

11. Debtors

	2019 £	2018 £
Amounts receivable from Group undertakings	42,137,286	70,164,850
Other debtors	2,517,643	2,960,366
Prepayments and accrued income	4,651,453	2,312,693
	49,306,382	75,437,909

All debtors are due within one year.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

12. Creditors

	2019	2018
	£	£
Current		
Amounts payable to Group undertakings	415,773	31,392,181
Taxation and social security	8,560,828	10,791,724
Other creditors	59,368,570	54,200,744
Accruals and deferred income	3,158,921	4,910,987
	<u>71,504,092</u>	<u>101,295,636</u>
Non-Current		
Taxation and social security	1,273,830	1,286,403
Other Creditors	7,839,470	8,995,822
	<u>9,113,300</u>	<u>10,282,225</u>

Current and non-current other creditors relate predominantly to incentive compensation payable.

13. Provisions for liabilities and charges

	Onerous lease provision
	£
Balance as at 1 January 2019	14,732,598
Costs incurred in the year	(14,695,090)
Released to the profit and loss account	(37,508)
Balance as at 31 December 2019	<u>—</u>

An onerous lease provision was made in respect of the lease on 155 Bishopsgate, London at the end of 2017. The lease was disposed of on 7 January 2019. The Group has guaranteed any remaining performance of the lease in the event that the assignee is unable to do so. The lease expires in October 2025.

14. Operating leases

	2019		2018	
	£	£	£	£
Non-cancellable operating lease rentals are payable as follows:	Total	155 Bishopsgate	Other	Total
Not later than one year	4,178,409	5,218,362	1,339,674	6,558,036
Later than one year and not later than five years	33,739,230	20,873,448	29,499,924	50,373,372
Later than five years	64,247,309	7,827,543	72,398,781	80,226,324
	<u>102,164,948</u>	<u>33,919,353</u>	<u>103,238,379</u>	<u>137,157,732</u>

During the year £7,092,736 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £11,056,258). In 2018 a lease expense was incurred for nine and a half months on both the new London premises and the old building (155 Bishopsgate), hence the fall in expense in 2019.

There are no future lease rental payments at the end of 2019 in respect of 155 Bishopsgate. In the lease schedule, the rentals for 155 Bishopsgate have been separately disclosed in 2018, in order that the year's figures provide a more meaningful comparative.

Baring Investment Services Limited

Notes to the Financial Statements (continued)

15. Share capital

	2019	2018
	£	£
Issued and fully paid:		
200 ordinary shares of £1 each	<u>200</u>	<u>200</u>

16. Pension scheme

The total defined contribution pension cost for the Company in respect of 2019 was £5,174,376 (2018: £2,391,456). No amounts were accrued or payable at the year end.

17. Related parties

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 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.

18. Ultimate parent company

The Company's indirect parent company is Barings Europe Limited and ultimate parent company is Massachusetts Mutual Life Insurance Company. The ultimate controlling party 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 consolidated financial statements of Massachusetts Mutual Life Insurance Company can be found on their website.

The smallest group in which the results are consolidated is that headed by Barings Europe Limited. The financial statements of Barings Europe Limited can be obtained from the Company's registered office at 20 Old Bailey, London, EC4M 7BF.

19. Subsequent events

The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in global markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.K. and international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. There was no impact to the Company's annual accounts as of 31 December 2019. 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.