Baring Investment Services Limited

Registration Number: 2259590

**Directors' Report And Financial Statements
For The Year Ended
31 December 2018**

Baring Investment Services Limited

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Company Information

Directors

Baring Asset Management Limited
J Swayne
H Patel

Secretaries

N Evans
C DeFrancis

Company Registration Number

2259590

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Registered Office

20 Old Bailey
London
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Baring Investment Services Limited

Strategic Report

In accordance with Section 414A(1) of the Companies Acts 2006, we have prepared a Strategic Report which includes a review of Baring Investment Services Limited's ("the Company") business and future developments, a description of the principal risks and uncertainties facing Barings Europe Limited and its subsidiary companies (collectively "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, expenses previously recorded in other companies within the Group were charged to the Company and then recovered from Group companies. This change led to turnover and expenses to each increase by £44m year on year. The principal reason for the profitability after tax of the Company falling from £0.7m profit in 2017 to £2.5m loss in 2018 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 moved premises in 2018. The cost of fitting out the new building has caused fixed asset additions to be £25.9m for 2018. Fixed assets have increased from £9.7m to £31.1m over the year to 31 December 2018. Debtors and creditors have increased due to costs previously accrued in other Group companies now being provided for in the Company and then recharged to those companies. In addition, the Company has borrowed from Group companies to fund the fixed asset purchases.

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
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:

	2018	2017
	£	£
Turnover	**97,146,176**	53,117,472
Profit before taxation	**879,790**	998,462
Net assets	**2,247,066**	4,781,607

Principal risks and uncertainties
The principal risks and uncertainties of the Company are discussed on page 6 of the Director's report.

Employees
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 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.

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 Company and other subsidiary companies of Barings LLC.

Environment

The Company is a professional and environmentally conscious organisation, which acknowledges the impact that our 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 our 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 our 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;
- 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.

Britain Exiting from the EU ("Brexit")

Overview

Following the Brexit referendum on 23 June 2016 and the giving of notice under Article 50 of the EU treaties in March 2017, Barings has kept under review the potential effects of Brexit under a number of possible scenarios, encompassing , varieties of "soft" Brexit and "hard" or "no deal" Brexit. In light of the continuing political uncertainty regarding what the UK's post-Brexit relationship will be with the EU and continuing EU member states ("EU27") and non EU27 nations, Barings adopted a conservative approach in its planning and assumed a "no deal" Brexit.

Impact of Brexit on Barings' Global Operations

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$303 billion is managed for clients globally (as at 31 December 2018) 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.

Barings' Brexit Plan (continued)

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. On 1 February 2019, the European Securities and Markets Authority ("ESMA") and the Financial Conduct Authority ("FCA") of the United Kingdom announced that they and the EU27 securities regulators had agreed MoUs which would take effect in the event of a no-deal Brexit scenario. The MoUs will allow certain activities, such as fund manager outsourcing and delegation, to continue to be carried out by UK based entities on behalf of counterparties based in the EU27.

In the absence of a transition period, Barings has registered to use the FCA's Temporary Permissions Regime ("TPR") to distribute its existing EU27 products (UCITS, Irish QIFs, QIAIFs, PIFs, Lux-SIFs and Lux-RAIFs) into the UK for up to 3 years. It is expected that the FCA will replace the TPR with a streamlined equivalence regime in due course. The TPR can be used for new UCITS sub-funds on existing UCITS umbrellas, but not for new AIF sub-funds on existing AIF umbrellas, or for new AIFs or UCITS not on existing umbrellas. In relation to the latter classes of products, Barings will utilise the UK's national private placement regime (NPPR) to distribute them to institutional investors.

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 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.

In respect of the final point, the firm 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 will achieve those objectives. As noted above, the political aspects of Brexit remain in flux, capable of changing at short notice. 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

J T Swayne
Director
23 April 2019

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 2018.

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 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
Notwithstanding the fact that the Company had net assets at 31 December 2018 of £2.25m, it had net current liabilities of £4.10m at the same point in time. 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.

Risk management
The Group manages its risks on a group-wide basis and in accordance with a risk framework approved by the Risk and Regulatory Committee ('R&RC'). The R&RC, 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 R&RC 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 most significant operational risks facing the Group are:

- 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
- Failure or material mis-performance by outsourced provider. Formal contracts are in place governing the terms of the relationships and provision of services. Regular reporting and review meetings take place in order to monitor performance;
- 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; and
- Regulatory risk. The Company is subject to regulatory oversight and inspection by the FCA. The Group's Compliance Department ensures that all new and existing rules are adhered to.

Dividends
No dividends were paid during the year (2017: nil).

Directors
The directors shown on page 2 served throughout the year.

Insurance for directors
Massachusetts Mutual Life Insurance Company has purchased directors' and officers' insurance in respect of directors of all Group subsidiaries. In addition, Barings LLC has purchased additional directors' and officers' insurance in respect of all its subsidiary companies.

Donations
Donations to charity and community projects made by the Company during the year amounted to £122,818 (2017: £49,680). No political contributions were made by the Company (2017: £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

J T Swayne
Director
20 Old Bailey
London
EC4M 7BF
23 April 2019

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 FRS102 *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 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;
- 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

J T Swayne
Director
20 Old Bailey
London
EC4M 7BF
23 April 2019

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 2018 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 2018 and of its loss 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

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 7, 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.

PJ McKechnie

Paul McKechnie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
25 April 2019

Baring Investment Services Limited

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2018

	Notes	2018	2017
		£	£
Turnover	2	**97,146,176**	53,117,472
Administrative expenses	3	**(95,987,060)**	(52,043,069)
Operating profit		**1,159,116**	1,074,403
Interest receivable and similar income	4	**—**	713
Interest payable and similar charges	5	**(279,326)**	(76,654)
Profit on ordinary activities before taxation		**879,790**	998,462
Tax on profit on ordinary activities	8	**(3,414,331)**	(316,684)
(Loss)/Profit for the financial year		**(2,534,541)**	681,778

All gains and losses have been recognised in the profit and loss account. There is no Other Comprehensive Income.

All the results arise from continuing operations.

The notes on pages 14 to 21 form part of these financial statements.

Balance Sheet
as at 31 December 2018

	Notes	2018	2017
		£	£
Non current assets			
Tangible fixed assets	9	**31,101,582**	9,735,123
Deferred tax asset	10	**254,998**	327,340
Current assets			
Debtors	11	**75,437,909**	19,022,781
Deferred tax asset	10	**85,000**	—
Cash at bank		**21,678,036**	2,901,024
		97,200,945	21,923,805
Creditors: Amount falling due within one year	12	**(101,295,636)**	(9,185,734)
Net current (liabilities)/assets		**(4,094,691)**	12,738,071
Total assets less current liabilities		**27,261,889**	22,800,534
Non Current Liabilities			
Creditors	12	**(10,282,225)**	—
Provisions for liabilities and charges	13	**(14,732,598)**	(18,018,927)
Total net assets		**2,247,066**	4,781,607
Capital and reserves			
Called up share capital	15	**200**	200
Share Premium		**3,368,926**	3,368,926
Profit and loss account		**(1,122,060)**	1,412,481
Shareholders' funds		**2,247,066**	4,781,607

The notes on pages 14 to 21 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

J T Swayne
Director
23 April 2019

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 2017				
Balance at 1 January 2017	200	3,368,926	730,703	4,099,829
Total comprehensive income for the year				
Profit	—	—	681,778	681,778
Balance at 31 December 2017	200	3,368,926	1,412,481	4,781,607
For the year ended 31 December 2018				
Balance at 1 January 2018	200	3,368,926	1,412,481	4,781,607
Total comprehensive income 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

The notes on pages 14 to 21 form part of these financial statements.

Baring Investment Services Limited

Notes to the Financial Statements

1. Accounting policies

a. Basis of accounting

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") and under the historic cost convention. 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, therefore 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.

b. 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 on page 3. In addition the Directors' Report on page 6 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 year end, the Company received assurances from its parent that it will continue to receive financial support for at least 12 months from the date of the signing of the financial statements and accordingly the directors believe that it is appropriate to prepare the accounts on a going concern basis.

c. Turnover

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

d. Tangible fixed assets

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

The Company moved to new premises in 2018. As a consequence assets were written off that were not transferred to the new building.

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

Leasehold property	Not depreciated if lease is greater than 100 years; over the remainder of the lease term if shorter
Leasehold improvements	10 years; or over the remainder of 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 $250,000, which is expensed

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

e. Basic financial instruments (continued)

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.

f. 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. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

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 balance sheet 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.

g. 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.

h. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Sterling at rates ruling at the statement of financial position: 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.

i. 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.

j. 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.

k. 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 profitability.

l. Interest Receivable and Interest Payable

Interest receivable and similar income includes gains on derivative instruments, 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 net foreign exchange losses. Interest income and interest payable and expense are recognised in profit and loss as they accrue.

2. Turnover

	2018	2017
	£	£
Recovery of costs incurred on behalf of group undertakings	**96,550,934**	52,010,755
Other income	**595,242**	1,106,717
	97,146,176	53,117,472

3. Expenses and auditor's remuneration

	2018	2017
	£	£
Auditor's renumeration		
- Services relating to taxation	**34,000**	34,000
- Other services	**18,000**	18,000
Depreciation	**4,488,758**	4,406,962
Operating lease rentals	**11,056,258**	5,053,386
Other operating expenses	**80,390,044**	42,530,721
	95,987,060	52,043,069

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

4. Interest receivable and similar income

	2018	2017
	£	£
Interest receivable	—	713
	—	713

5. Interest payable and similar charges

	2018	2017
	£	£
Interest payable	**1,107**	1,208
Loss on disposal of fixed asset	**48,533**	—
Exchange loss	**229,686**	75,446
	279,326	76,654

6. Employees

On 1 July 2018, 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 average headcount and staff costs for the final six months of 2018. The aggregate remuneration of all employees was:

	2018	2017
	£	£
Salaries	**50,930,703**	9,556,469
Social security costs	**7,203,023**	1,249,607
Other pension costs	**2,391,456**	1,218,727
	60,525,182	12,024,803

	2018	2017
The average number of persons employed by the Company (including directors)	**493**	135

7. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	**379,455**	111,531
Amounts receivable under long-term incentive schemes	**46,847**	14,344
Company contribution to money purchase pension schemes	**18,699**	3,494

Highest paid director	**2018**	2017
	£	£
Directors' emoluments	**150,610**	64,294
Amounts receivable under long-term incentive schemes	**43,001**	14,344

	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

8. Taxation

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

	2018	2017
	£	£
Current tax		
UK corporation tax on income for the period	**2,126,721**	371,459
Adjustments in respect of prior periods	**1,190,609**	2,612
Total current tax	**3,317,330**	374,071
Deferred tax (see note 10)		
Origination and reversal of timing differences:		
Current year	**1,004,400**	(52,511)
Prior year	**(907,399)**	(4,876)
Total deferred tax	**97,001**	(57,387)
Total tax charge	**3,414,331**	316,684

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

b) Reconciliation of effective tax rate

The tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018	2017
	£	£
Profit for the year excluding taxation	**879,790**	998,462
Tax using the UK corporation tax rate of 19% (2017:19.25%)	**167,160**	192,170
Non deductible expenses	**3,082,126**	119,838
Effect of measurement of deferred tax at future rate of UK corporation tax	**(118,165)**	6,940
Under/(Over) provided in prior years	**283,210**	(2,264)
Total tax expense included in profit and loss	**3,414,331**	316,684

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

Under current legislation a reduction in the UK corporation tax rate to 17% is scheduled to occur from 1 April 2020.

9. Fixed assets

	Leasehold Property & Improvement	Furniture & Fittings	Computer Equipment	Research & development	Total
	£	£	£	£	£
Cost					
At 1 January 2018	8,953,984	5,201,920	6,143,857	4,805,747	25,105,508
Additions	21,919,096	2,596,574	1,398,367	—	25,914,037
Disposals	(4,389,294)	(4,836,185)	(4,524,618)	(2,687,898)	(16,437,995)
December 31, 2018	**26,483,786**	**2,962,309**	**3,017,606**	**2,117,849**	**34,581,550**
Depreciation					
At 1 January 2018	3,240,055	3,649,603	5,023,861	3,456,866	15,370,385
Charge for the year	1,757,762	1,315,982	824,895	590,119	4,488,758
Disposals	(4,389,295)	(4,795,753)	(4,506,229)	(2,687,898)	(16,379,175)
December 31, 2018	**608,522**	**169,832**	**1,342,527**	**1,359,087**	**3,479,968**
Net Book Value					
January 1, 2018	5,713,929	1,552,317	1,119,996	1,348,881	9,735,123
December 31, 2018	**25,875,264**	**2,792,477**	**1,675,079**	**758,762**	**31,101,582**

10. Deferred taxation

The deferred tax asset and liability are attributable to:

	Asset		**Liability**		**Net**	
	2018	2017	**2018**	2017	**2018**	2017
Difference between accumulated depreciation and capital allowances	—	327,340	**(109,659)**	—	**(109,659)**	327,340
Other timing differences	**339,998**	—	—	—	**339,998**	—
Total deferred tax asset	**339,998**	327,340	**(109,659)**	—	**230,339**	327,340

The deferred tax asset expected to reverse in 2019 is £85,000. The reversal relates primarily to timing differences regarding the recognition of expenses for tax purposes.

The deferred tax liability expected to reverse in 2019 is £109,659. This is because there is expected to be a reversal of timing differences in 2019 due to tax allowances for qualifying fixed asset expenditure being expected to be less than the deprecation accounted for on these assets in the year.

11. Debtors

	2018	2017
	£	£
Amounts receivable from Group undertakings	**70,164,850**	14,437,198
Other debtors	**2,960,366**	2,720,883
Prepayments and accrued income	**2,312,693**	1,864,700
	75,437,909	19,022,781

All debtors are due within one year.

12. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Current		
Amounts payable to Group undertakings	**31,392,181**	4,460,574
Taxation and social security	**10,791,724**	371,471
Other creditors	**54,200,744**	1,648,165
Accruals and deferred income	**4,910,987**	2,705,524
	101,295,636	9,185,734
Non-Current		
Taxation and social security	**1,286,403**	—
Other creditors	**8,995,822**	—
	10,282,225	—

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 2018	**18,018,927**
Costs incurred in the year	(2,134,438)
Released to the profit and loss account	(1,151,891)
Balance as at 31 December 2018	**14,732,598**

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. The provision is calculated as the net present value at 31 December 2018 of the future expected cash flows that are expected to arise from the disposal of the lease.

14. Operating leases

	2018			2017		
	£	£	£	£	£	£
Non-cancellable operating lease rentals are payable as follows:	**155 Bishopsgate**	**Other**	**Total**	155 Bishopsgate	Other	Total
Not later than one year	**5,218,362**	**1,339,674**	**6,558,036**	5,136,202	1,582,353	6,718,555
Later than one year and not later than five years	**20,873,448**	**29,499,924**	**50,373,372**	20,873,448	22,437,800	43,311,248
Later than five years	**7,827,543**	**72,398,781**	**80,226,324**	13,045,905	80,800,578	93,846,483
	33,919,353	**103,238,379**	**137,157,732**	39,055,555	104,820,731	143,876,286

During the year £11,056,258 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £5,053,386).

15. Share capital

	2018	2017
	£	£
Issued and fully paid:		
200 ordinary shares of £1 each	**200**	200

16. Pension scheme

The total defined contribution pension cost for the Company in respect of 2018 was £2,391,456 (2017: £1,218,727). 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 immediate 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 they are consolidated is that headed by Barings Europe Limited. The financial statements of Barings Europe Limited can be obtained from the Firm's trading address and single alternative inspection location at 20 Old Bailey, London, EC4M 7BF.

19. Subsequent events

The Company has evaluated the possibility of subsequent events that may require disclosure in the Company's financial statements up until the date that the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated disclosure or adjustment. On 7 January 2019 the Company disposed of the lease on 155 Bishopsgate, London. The cost of the disposal has been taken into account when calculating the onerous lease provision disclosed in note 13.