

**BARING INVESTMENT SERVICES LIMITED**

**Registration Number: 2259590**

**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2003**



# **BARING INVESTMENT SERVICES LIMITED**

## **REPORT OF THE DIRECTOR**

Baring Asset Management Holdings Limited, the director of the Company, presents its annual report and the audited financial statements of the Company for the year ended 31 December 2003.

### **Principal Activity**

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

### **Results**

The loss for the year amounted to £303,751 (2002 Loss of: £1,478,823) and has been transferred to reserves. The director does not propose the payment of a dividend (2002:Nil).

### **Employment Policies**

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

The director 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 Baring Asset Management Holdings Limited.

### **Director**

The director who served during the year was:

Baring Asset Management Holdings Ltd

### **Secretary**

J Brace

## **BARING INVESTMENT SERVICES LIMITED**

### **REPORT OF THE DIRECTOR**

#### **Director's Responsibilities**

Company law requires the director to prepare financial statements for each financial year which 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 director has:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- followed applicable accounting standards; and
- *prepared the financial statements on the going concern basis.*

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Companies Act 1985. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

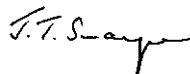
#### **Director's Interests**

The interests of Baring Asset Management Holdings Limited are disclosed in note 6 to the accounts.

#### **Director's Emoluments.**

The director did not receive any fees for qualifying services (2002:Nil)

BY ORDER OF THE BOARD



J T Swayne  
For and on behalf of  
Baring Asset Management Holdings Ltd, Director  
London  
25 March 2004

## **REPORT OF THE AUDITOR**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARING INVESTMENT SERVICES LIMITED.**

We have audited the financial statements pages 5 to 18.

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

#### **Respective Responsibilities of Director and Auditor**

The director is responsible for preparing the director's report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the Company is not disclosed.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*  
25 March 2004

8 Salisbury Square  
London  
EC4Y 8BB

**BARING INVESTMENT SERVICES LIMITED****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>Notes</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
<b>Income</b>	2	<b>34,568,590</b>	38,511,319
Administrative expenses	3	<b>(33,565,880)</b>	(39,540,915)
<b>Operating Profit/(Loss)</b>		<b>1,002,710</b>	(1,029,596)
Interest receivable from group undertakings		<b>20,850</b>	21,385
Interest payable to group undertakings		<b>(682,166)</b>	(755,350)
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>341,394</b>	(1,763,561)
Tax on Profit/(Loss) on ordinary activities	7	<b>(645,145)</b>	284,738
<b>Loss for the financial year</b>		<b>(303,751)</b>	(1,478,823)
<b>Retained Loss for the year</b>	18	<b>(303,751)</b>	(1,478,823)

The notes on pages 7 to 18 form part of these financial statements.

All gains and losses have been recognised in the profit and loss account. In accordance with Financial Reporting Standard No. 3, a Statement of Total Recognised Gains and Losses is therefore not required.

All the results arise from continuing operations.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS FOR THE YEAR**  
**ENDED 31 DECEMBER 2003**

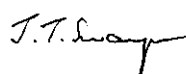
	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
Loss for the financial year	<b>(303,751)</b>	(1,478,823)
Opening shareholders' funds	<b>(2,265,266)</b>	(786,443)
Closing shareholders' funds	<b>(2,569,017)</b>	(2,265,266)

**BARING INVESTMENT SERVICES LIMITED****BALANCE SHEET AT 31 DECEMBER 2003**

	<u>Notes</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
<b>Fixed Assets</b>			
Intangible assets	8	282,146	-
Tangible assets	9	10,564,117	12,221,436
Investments	10	113,051	113,051
		<u>10,959,314</u>	<u>12,334,487</u>
<b>Current Assets</b>			
Stock		10,433	12,864
Debtors	11	11,047,676	8,082,652
Investments	12	58,478	70,979
Cash at bank and in hand	5	894,403	419,125
		<u>12,010,990</u>	<u>8,585,620</u>
<b>Creditors</b>			
Amounts falling due within one year	13	(8,239,321)	(5,885,373)
<b>Net Current Assets</b>		<u>3,771,669</u>	<u>2,700,247</u>
<b>Total Assets Less Current Liabilities</b>		<u>14,730,983</u>	<u>15,034,734</u>
<b>Creditors</b>			
Amounts falling due after more than one year	14	(17,300,000)	(17,300,000)
<b>Net Liabilities</b>		<u>(2,569,017)</u>	<u>(2,265,266)</u>
<b>Capital and Reserves</b>			
Called up share capital	17	100	100
Profit and loss account	18	(2,569,117)	(2,265,366)
<b>Shareholders' Funds</b>		<u>(2,569,017)</u>	<u>(2,265,266)</u>

The notes on pages 7 to 18 form part of these financial statements.

The financial statements were approved by the director on 25 March 2004 and signed on its behalf by:



J T Swayne  
For and on behalf of  
Baring Asset Management Holdings Ltd, Director

## **BARING INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

#### **1. Accounting Policies**

##### **a. Basis of Accounting**

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £2,569,017, which the director believes to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Baring Asset Management Holdings Limited, the Company's immediate holding undertaking. Baring Asset Management Holdings Limited has provided the Company with an undertaking for at least 12 months from the date of approval of last year's financial statements and will continue to make available such funds as needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, he had no reason to believe that it will not do so.

Based on this undertaking the director believes that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

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

##### **b. Income**

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

##### **c. Depreciation**

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

Leasehold property	-	Not depreciated if lease is greater than 100 years; over the remainder of the lease term if shorter.
Leasehold improvements	- 10 years	
Furniture & fittings	- 10 years	except paintings which are not depreciated.
Motor vehicles	- 4 years	
Computer equipment	- 2-4 years	

## **BARING INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

d. **Taxation**

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

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

e. **Fixed Asset Investments**

Investments are stated at cost less any permanent diminution based upon the director's valuation. In the opinion of the director, the aggregate value of the subsidiary undertakings is not less than the aggregate amount at which the assets are included in the Company's balance sheet.

f. **Foreign Currency Translation**

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

g. **Operating Leases**

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

h. **Post-retirement Benefits**

The Company participates in the ING Barings group pension scheme, which includes both defined benefit and defined contribution sections. The assets of both sections are held separately from those of the Company in independently administered funds.

For the defined contribution section the charge against profits represents the contributions payable to the scheme in respect of the current accounting period.

For the defined benefit section, benefits are provided based on the final pensionable pay of employees. Such future liabilities are provided for by the accumulation of assets held in the independently administered funds mentioned above. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives.

i. **Long Term Incentive Plan**

The Company has made contributions to an independent Guernsey based employee benefit trust that has made conditional awards under the Baring Asset Management Holdings Limited Long Term Incentive Plan ('LTIP') to employee beneficiaries who have undertaken duties on behalf of the Company. The potential value on redemption of the rewards is linked to movements in an annual independent valuation of the ordinary shares of Baring Asset Management Holdings Limited.



# **BARING INVESTMENT SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED** **31 DECEMBER 2003 (continued)**

Contributions to the Trust are accrued in the profit and loss account in the period to which they relate. All other liabilities arising from the LTIP scheme will be borne by Baring Asset Management Holdings Limited who have underwritten the liabilities of the Trust.

Further implications of such accounting treatment are disclosed in note 20 - Contingent Liability in relation to the LTIP.

### **j. Research and Development**

Where it is considered that expenditure on research and development will bring an ongoing benefit to the Company, the expenditure is capitalised and amortised to the profit and loss account over the period that the benefit arises.

All other expenditure on research and development is written off to the profit and loss account in the year that it is incurred.

### **2. Income**

	<b><u>2003</u></b> <b><u>£</u></b>	<b><u>2002</u></b> <b><u>£</u></b>
Recovery of costs incurred on behalf of group undertakings	<b>34,526,948</b>	37,872,003
Other income	<b>41,642</b>	639,316
	<b><u>34,568,590</u></b>	<b><u>38,511,319</u></b>

### **3. Administrative Expenses**

	<b><u>2003</u></b> <b><u>£</u></b>	<b><u>2002</u></b> <b><u>£</u></b>
Auditor's remuneration	<b>55,260</b>	51,073
Auditor's other fees	-	62,510
Depreciation	<b>4,040,292</b>	4,446,371
Operating lease rentals	<b>5,299,292</b>	5,801,865
Other operating expenses	<b>24,171,036</b>	29,179,096
	<b><u>33,565,880</u></b>	<b><u>39,540,915</u></b>

## **BARING INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

#### **4. Employees**

The average number employed in management and administration by the Company during the year ended 31 December 2003 was 211 (2002: 242). These employees are legally employed by ING Baring Services Limited, a sister company, and their respective costs are recharged to the Company.

Aggregate remuneration of all employees was:

	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
Salaries	10,756,460	12,469,298
Social Security costs	1,133,997	1,222,823
Other pension costs	1,991,032	2,607,964
	<u>13,881,489</u>	<u>16,300,085</u>

#### **5. Cash at Bank**

The bank balances of the company are held by Barings (Guernsey) Limited, a subsidiary undertaking of ING Groep NV.

# BARING INVESTMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

### 6. Director's Interests

The interests of Baring Asset Management Holdings Limited, the director of the Company, in the shares of Barings Group companies were as follows:

<u>Company</u>	<u>Class of Share</u>	<u>2003</u> <u>Number</u>	<u>2002</u> <u>Number</u>
Financial Services Group Limited	Ordinary £1 Shares	25,626,100	25,626,100
Baring Investment Services Limited	Ordinary £1 Shares	100	100
Baring Investment Services (Caymans) Limited*	Ordinary £1 Shares	1	1
Baring Asset Management Limited	Ordinary £1 Shares	79,999,900	76,999,900
Baring Global Fund Managers Limited	Ordinary £1 Shares	100	100
Baring International Investment Limited*	Ordinary £1 Shares	5,000,000	5,000,000
Baring International Investment Management Holdings Limited*	Ordinary £1 Shares	27,601,815	27,601,815
Baring International Investment Management Limited*	Ordinary HK\$10 Shares	11,966,153	11,966,153
Baring International Investment Management Limited*	Deferred HK\$10 Shares	599,999	599,999
Baring Asset Management France S.A *	Ordinary EUR 15 Shares	35,326	35,326
Baring Asset Management Holdings Inc*	Common Stock US\$1	833,033	833,033
Baring Asset Management Inc*	Class B Voting Preference Stock US\$1	1,490,000	1,490,000
Baring Asset Management Inc*	Common Stock US\$1	35,757	35,757
Baring Investment Services Inc.*	Common Stock US\$1	14	14
Baring Asset Management UK Holdings Limited*	Ordinary £1 Shares	1,779,711	1,779,711
Baring Mutual Fund Management SA*	Ordinary £25 Shares	12,800	12,800
Baring International Fund Managers (Ireland) Limited*	Ordinary £1 Shares	100,000	100,000
Baring Asset Management (CI) Limited*	Ordinary £10 Shares	50,000	50,000
Baring Mutual Fund Management (Ireland) Limited*	Ordinary £1 Shares	325,000	325,000
Baring Asset Management (Asia) Holdings Limited*	Ordinary HK\$10	1,031,942	1,031,942
Baring International Fund Managers (Bermuda) Limited*	Ordinary B\$1	12,000	12,000
Baring Asset Management (Asia) Limited*	Ordinary HK\$10	1,050,000	1,050,000
Baring International Fund Managers Limited*	Ordinary HK\$10	1,000	1,000
Baring Asset Management (Japan) Limited*	Ordinary Yen50,000	5,000	5,000
Baring Asset Management (Australia) Limited*	Ordinary A\$1	180,000	180,000
Baring (SICE) Taiwan Limited	Ordinary NT\$10	1,000,000	1,000,000
Barings (Guernsey) Limited*	Ordinary £1 Shares	10,000,000	10,000,000
Baring Trustees (Guernsey) Limited*	Ordinary £1 Shares	1,000,000	1,000,000
Baring Private Investment Management Limited*	Ordinary £1 Shares	5,405,002	5,405,002
Baring Trust Co. Limited*	Ordinary £1 Shares	850,002	850,002
Guernsey International Fund Managers Limited*	Ordinary £1 Shares	1,000,000	1,000,000
Baring Fund Managers Limited*	Ordinary £1 Shares	1,650,000	1,650,000
International Fund Managers UK Limited*	Ordinary £1 Shares	100	100
Barings (Isle of Man) Limited*	Ordinary £1 Shares	500,000	500,000
Barings (Ireland) Limited*	Ordinary £1 Shares	100,000	100,000
International Fund Managers (Ireland) Limited*	Ordinary £1 Shares	100,000	100,000
International Securitisation Managers (Ireland) Limited*	Ordinary £1 Shares	1,000	1,000
Ravensbourne Registration Services Limited*	Ordinary £1 Shares	125,000	125,000
International Fund Managers (Jersey) Limited*	Ordinary £1 Shares	25,000	25,000
Baring Asset Management AG*	Ordinary EUR5 Shares	20,000	20,000
Baring Investment Administrative Services (SA) Limited *	Ordinary ZAR1 Shares	2,000,000	2,000,000
ING Trust (Jersey) Limited*	Ordinary £1 Shares	25,000	25,000
Montpelier Investments Limited*	Ordinary £1 Shares	100	100
Baring Asset Management Life Limited	Ordinary £1 Shares	100	100

\*Indirect holdings

**BARING INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)****7. Taxation**

	<u>2003</u> £	<u>2002</u> £
<b>a) Analysis of the charge in the current period</b>		
<i>Current tax</i>		
UK Corporation Tax at 30% (2002: 30%)		
Current year	492,671	(310,564)
Under accrued in prior year	311,277	216,078
	<hr/>	<hr/>
Total current tax (note 7b)	803,948	(94,486)
	<hr/>	<hr/>
<i>Deferred taxation</i>		
Origination and reversal of timing differences		
Current year	(148,390)	(55,589)
Prior year	(10,413)	(134,663)
	<hr/>	<hr/>
Total deferred tax	(158,803)	(190,252)
	<hr/>	<hr/>
<i>Total tax on profit/ loss on ordinary activities</i>	<hr/> 645,145 <hr/>	<hr/> (284,738) <hr/>

**b) Factors affecting the tax charge for the current period**

The current tax charge (credit) for the period is higher (2002:lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2003</u> £	<u>2002</u> £
<b>Current Tax reconciliation</b>		
Profit/ (Loss) on ordinary activities before tax	341,394	(1,763,561)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 30%	102,418	(529,069)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	270,138	162,916
Non taxable income	( 28,275)	-
Capital allowances for period in excess of depreciation	(20,810)	(9,595)
Other timing differences	169,200	65,184
Adjustment to tax charge in respect of previous periods	311,277	216,078
Total current tax charge/(credit) (note 7a)	<hr/> 803,948 <hr/>	<hr/> (94,486) <hr/>

**BARING INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)****c) Factors that may affect future tax charges**

At the date of signing the accounts, no factors likely to materially alter the future rate of tax have been identified.

**8. Intangible Fixed Assets****Cost and Net book value**

At 1 January 2003

Additions 282,146

As at 31 December 2003 282,146

The costs represent expenses incurred on developing a software package for continuing use by the BAM group.

No amortisation was charged during the year because, as at 31 December 2003, the project had not been substantially completed. Once finished, the final amount is expected to be amortised over a period of 4 years

**9. Fixed Assets**

	<u>Leasehold Property &amp; Improvements</u>	<u>Furniture &amp; Fittings</u>	<u>Motor Vehicles</u>	<u>Computer Equipment</u>	<u>Total</u>
<b>Cost</b>					
At 1 January 2003	10,028,178	12,449,223	-	29,011,710	51,489,111
Reclassify	316,767	164,726	165,012	(646,505)	-
Additions	81,608	113,132	-	2,632,898	2,827,638
Disposals	(414,564)	(1,249,101)	(81,000)	(851,752)	(2,596,417)
<b>31 December 2003</b>	<b>10,011,989</b>	<b>11,477,980</b>	<b>84,012</b>	<b>30,146,351</b>	<b>51,720,332</b>
<b>Depreciation</b>					
At 1 January 2003	6,629,386	9,033,344	-	23,604,945	39,267,675
Reclassify	38,689	412,788	81,277	(532,754)	-
Charge for the year	291,703	853,891	36,506	2,858,192	4,040,292
Disposals	(46,118)	(1,244,299)	(58,916)	(802,419)	(2,151,752)
<b>31 December 2003</b>	<b>6,913,660</b>	<b>9,055,724</b>	<b>58,867</b>	<b>25,127,964</b>	<b>41,156,215</b>
<b>Net book value at 31 December 2003</b>	<b>3,098,329</b>	<b>2,422,256</b>	<b>25,145</b>	<b>5,018,387</b>	<b>10,564,117</b>
Net book value at 31 December 2002	3,398,792	3,415,879	-	5,406,765	12,221,436

The fixed assets were recategorised during the year in order to provide a more meaningful analysis.

**BARING INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)****10. Investments****Investment in Subsidiary Undertakings**

	<u>2003</u> £	<u>2002</u> £
<b>Cost</b>		
At 1 January	1	1

The Company owns 100% of the £1 Ordinary shares of Baring Investment Services (Caymans) Limited, a company incorporated in the Cayman Islands. This is a dormant company.

**Other Fixed Asset Investment**

	<u>Fixed Asset Investment 2003</u> <u>Corporate Membership</u> £	<u>Fixed Asset Investment 2002</u> <u>Corporate Membership</u> £
<b>Cost</b>		
At 1 January	113,050	113,050
<b>Total Investments at 31 December</b>	<u>113,051</u>	<u>113,051</u>

**11. Debtors**

	<u>2003</u> £	<u>2002</u> £
Amounts owed by group undertakings	6,238,581	2,759,638
Other debtors	1,063,355	1,500,632
Prepayments and accrued income	3,745,740	3,822,382
	<u>11,047,676</u>	<u>8,082,652</u>

(£844,978 of the above Prepayments and Accrued Income balance relates to a deferred tax asset, see note 15.)

**12. Current Asset Investments**

The balance relates to holdings of debt securities.

**BARING INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)****13. Creditors :  
Amounts Falling Due Within One Year**

	<u>2003</u> £	<u>2002</u> £
Amounts owed to group undertakings	3,465,528	2,604,377
Other creditors including taxation and social security	492,671	-
Accruals and deferred income	4,281,122	3,280,996
	<u>8,239,321</u>	<u>5,885,373</u>

**14. Creditors :  
Amounts Falling Due After More Than One Year**

	<u>2003</u> £	<u>2002</u> £
Amounts owed to group undertakings	17,300,000	17,300,000

Amounts owed to group undertakings are unsecured and have no fixed date for repayment. However the director considers the loan will not be repaid within one year.

**15. Deferred Taxation Asset**

	<u>2003</u> £	<u>2002</u> £
At 1 January	686,175	495,923
Transfer to profit & loss	158,803	190,252
<b>At 31 December</b>	<u>844,978</u>	<u>686,175</u>

The elements of deferred taxation are as follows:

Difference between accumulated depreciation and Amortisation and capital allowances	610,594	620,991
Other timing differences	234,384	65,184
<b>Deferred Tax Asset</b>	<u>844,978</u>	<u>686,175</u>

**BARING INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)****16. Operating Leases**

At 31 December 2003 the company had annual commitments under operating leases as follows:

	<u>2003</u> Property £	<u>2002</u> Property £
Expiring within one year	45,000	
Expiring in over five years	5,248,522	5,922,017

**17. Share Capital**

	<u>2003</u> £	<u>2002</u> £
<b>Authorised:</b>		
1,000 Ordinary Shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<b>Issued and fully paid:</b>		
100 Ordinary Shares of £1 each	100	100
	<hr/>	<hr/>

**18. Reserves**

	<u>2003</u> £	<u>2002</u> £
Profit & Loss Account		
At 1 January	(2,265,366)	(786,543)
Retained loss for the financial year	(303,751)	(1,478,823)
<b>At 31 December</b>	<b>(2,569,117)</b>	<b>(2,265,366)</b>
	<hr/>	<hr/>

**19. Pension Scheme**

As stated in note 1(h) the Company participates in ING Barings Pension Trust Fund. The costs to the Company are allocated by the Fund based on the pension costs for the Fund as a whole.

Under FRS17, the defined benefit section of the Fund is to be accounted for as a defined contribution scheme because the Fund is managed on a Group wide basis, and hence the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

As noted above, the section has been accounted for as if it were a defined contribution scheme. At the year-end the total Fund assets and liabilities were £339,155,000 (2002: £268,101,000) and £321,200,000 (2002: £283,400,000) respectively, resulting in a surplus of £17,955,000 (2002: deficit of £15,299,000).



**BARING INVESTMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2003 (continued)**

The Defined Benefit section of the Fund is closed to new entrants. The service cost is calculated using the projected unit method. Under this method the service cost is calculated as the cost of the next year of accrual, but allowing for future salary increases. Because the section of the Fund is closed, the service cost (as a percentage of salary roll) will increase in future years as the membership ages.

The figures as at 31 December 2003 above have been calculated using membership data provided as at 31 March 2003. The liabilities were then adjusted to 31 December 2003.

The Company has paid contributions as stated in note 4 during 2003.

The valuation of the future liabilities of the defined benefit section of the Fund was calculated using the following assumptions.

	At 31 Dec '03 %pa	At 31 Dec '02 %pa	At 31 Dec '01 %pa
Inflation	2.5	2.5	2.5
Rate of increase in salaries	4.0	4.25	4.25
Rate of increase of pensions in payment	2.5	2.5	2.5
Rate of increase for deferred pensioners	2.5	2.5	2.5
Discount rate	5.5	5.75	5.75

The fair value of the assets held as at 31 December 2003 and their respective rate of return are:

	31 Dec '03 Fair value £'000	31 Dec '03 Expected rate of return %pa	31 Dec '02 Fair value £'000	31 Dec '02 Expected rate of return %pa	31 Dec '01 Fair value £'000	31 Dec '01 Expected rate of return %pa
Equities	208,217	7.8	174,266	6.75	256,751	6.25
Corporate bonds	34,250	5.5	26,810	5.4	0	5.4
Gilts	96,648	4.8	67,025	4.5	64,188	4.75
Total	339,115		268,101		320,939	

## **BARING INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)**

#### **20. Contingent Liability in relation to the LTIP**

As highlighted in note 1(i), the Company makes contributions to an independent Guernsey based employee benefit trust based on awards made under an LTIP arrangement. Contributions to the Trust are invested by the Trustees in listed equities and similar investments in order to provide a hedge against the liabilities of the LTIP. This is an imperfect hedge which may result in a deficit of assets held compared to the liabilities of the LTIP scheme. Although Baring Asset Management Holdings Limited has agreed to underwrite the liabilities arising from the LTIP, should the liquidity of that Company prove insufficient to meet such liabilities then Baring Investment Services Limited would need to consider its obligations to staff.

As at 31 December 2003, the total shortfall in the hedge was £7,747k (2002: shortfall £8,484k).

#### **21. Ultimate Holding Company**

The Company is a subsidiary undertaking of ING Groep NV, a Company incorporated in the Netherlands.

The largest group in which the results of the Company are consolidated is that headed by ING Groep NV.

The smallest group in which they are consolidated is that headed by ING Bank NV.

The consolidated financial statements of these groups are available to the public and may be obtained from the Secretary, ING Groep NV, Strawinskylaan 2631, 107722 Amsterdam, The Netherlands.

#### **22. Related Party Transactions**

The Company is controlled by Baring Asset Management Holdings Limited, its immediate parent undertaking. The ultimate controlling party is ING Groep NV.

As the Company is a wholly owned subsidiary of the ING Groep NV which prepares consolidated financial statements in the Netherlands, it has taken advantage of the exemption contained in FRS8 and has therefore not disclosed separately transactions or balances with entities which form part of the ING Groep NV.