

Company No. 1118580

**BNY MELLON ASSET MANAGEMENT
INTERNATIONAL LIMITED (formerly
Mellon Global Investments Limited)**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2007**

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BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of BNY Mellon Asset Management International Limited ("the Company") for the year ended 31 December 2007

Following the announcement in December 2006, Bank of New York merged with Mellon Financial Corporation effective 1st July 2007. As a result of this merger, the Company was renamed BNY Mellon Asset Management International Limited (formerly known as Mellon Global Investors Limited) on 1 October 2007

BUSINESS REVIEW

The business was formed in 2001 principally to market, sell and distribute the investment management capabilities of fellow BNY Mellon investment subsidiaries globally (ex USA) and a series of BNY Mellon fund ranges registered in UK, Ireland and Caymans to institutions, financial intermediaries and retail clients. In its role as an investment manager, the Company typically delegates the sub-advisory function to other BNY Mellon investment subsidiaries

The Company is head quartered in London and additionally has branch offices in major financial centres mainly in Europe.

2007 was a successful year for the business, which continued to support and attract new investors and increase the assets under management of the Bank of New York Mellon Group through increased net sales and distribution of BNY Mellon Asset Management products and development and launch of new products, a particular highlight being the launch of a \$4 billion QDII fund in China on an advisory basis. The increase in net sales, despite the market volatility in Q4 2007, together with the rising stock market led to an increase in assets under management at 31 December 2007 to £5.9 billion (2006 £5.7 billion). The Company's revenues are driven in the main from the value of assets managed and thus is impacted by stock market performance. The increase in stock market levels during 2007 and assets under management and advice has led to an improvement in revenue year on year, but due to some additional one off costs, profit on ordinary activities before taxation decreased £2.6 million year on year (as referred to in the results section below)

RISK ASSESSMENT AND MANAGEMENT

The objective of the Risk Management function is to support and guide the business in managing risk in their operations using strategies designed to avoid or reduce exposure to potential financial loss or reputational damage

Key committees are in place to oversee the risk management function and to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines. The key committees include

- 1 AMI Executive committee
- 2 Risk and Compliance committee
- 3 Investment committee
- 4 Pricing committee
- 5 Products committee
- 6 Projects committee

Finally, the Compliance team monitors adherence to key regulations by

- 1 Providing interpretation and guidance on regulatory matters,
- 2 Carrying out regular checks and continuous monitoring on procedures and controls to ensure that they are being properly applied

The company is a BIPRU firm regulated by the Financial Services Authority (FSA). A return is prepared and submitted to the FSA on a quarterly basis to monitor the surplus of liquid capital in the

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT – Continued

company At 31 December 2007, surplus liquid capital amounted to £37,955,000 (2006 £29,903,000)

RESULTS, DIVIDENDS AND NET ASSETS

The profit on ordinary activities before taxation decreased £2.6 million on prior year. During 2007, there was a £5.1 million additional allocation of costs from a Group company in respect of premises charges.

The profit for the financial year after taxation amounted to £9,109,000 (2006 £20,491,000).

No interim dividends on ordinary shares were paid in respect of the year ended 31 December 2007 (2006 £1,016,000). The directors do not recommend a final dividend on ordinary shares in respect of the current financial year (2006 £nil).

On 30 March 2007, the company issued 10,000,000 ordinary shares of £1 each at par.

Net assets at the year-end amounted to £58,483,000 (2006 £39,679,000).

FUTURE DEVELOPMENTS

Looking ahead into 2008, the Company will continue to develop and launch new products and service to clients and leverage off the additional fund management capabilities within The Bank of New York Mellon Group as a result of the merger in 2007.

The market volatility experienced at the end of 2007 and into the first quarter of 2008 make the prospects for 2008 financial results less certain.

EMPLOYEES

The Company is committed to a best practice approach to consult with employees on matters that are likely to affect their interests. Information of general interest to employees is provided through the intranet, newsletters and notices and general dialogue between line managers and employees, all of which seeks to achieve a common awareness of the financial and economic factors which impact on the Company's performance. In addition the Company participates in The Bank of New York Mellon Employee Information & Consultation Forum. The Forum builds on existing communication channels and provides more formal opportunities for dialogue between management and employees.

The Company adopts a total rewards management and pay for performance philosophy. Any remuneration elements awarded in respect of bonus and long-term incentives are discretionary based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results. Key employees receive Long Term Incentive Awards in either stock options and/ or Restricted Stock of The Bank of New York Mellon Corporation.

The Bank of New York Mellon Group is also committed to providing relevant training and development opportunities, to include achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The Company adheres to the principles of Equal Employment Opportunity, and is committed to facilitating employment opportunities for people with disabilities.

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

The directors in office during the year and to the date of this report were as follows

G A Brisk

J M Little

A Mearns

S J M Spence

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no charitable or political contributions during the year (2006 £Nil)

DISCLOSURE OF INFORMATION TO AUDITORS

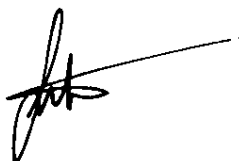
The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to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

AUDITORS

By resolutions dated 21 May 1991, the members of the Company adopted an elective regime in accordance with Sections 366A, 252 and 386 of the Companies Act 1985 dispensing with the previous statutory requirement of holding annual general meetings, laying accounts before the Company in general meetings and reappointing auditors annually

The last resolution will lead to the continuing appointment of KPMG Audit Plc as auditors of the Company until further notice

By order of the Board



Director

30 April 2008

Registered address

The Bank of New York Mellon Centre
160 Queen Victoria Street
London
EC4V4LA

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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

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

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

In preparing these financial statements, the directors are required to

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

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

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

We have audited the financial statements of BNY Mellon Asset Management International Limited for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 April 2008

8 Salisbury Square
London
EC4Y 8BB

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	<u>Year to</u> <u>31 December</u> <u>2007</u> <u>£'000</u>	<u>Year to</u> <u>31 December</u> <u>2006</u> <u>£'000</u>
Revenue	2	70,956	50,595
Administrative expenses		<u>(60,432)</u>	<u>(36,159)</u>
Operating profit	3	10,524	14,436
Interest payable		-	(9)
Interest receivable	5	<u>2,749</u>	<u>1,486</u>
Profit on ordinary activities before taxation		13,273	15,913
Tax (charge)/ credit on profit on ordinary activities	6	<u>(4,164)</u>	<u>4,578</u>
Profit for the year	14	<u>9,109</u>	<u>20,491</u>

Revenue and operating profit relates solely to continuing operations

The Company has not produced a statement of total recognised gains and losses as all gains and losses in the year are reflected in the profit and loss account

Notes 1 to 15 form part of these financial statements

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

BALANCE SHEET
AT 31 DECEMBER 2007

	<u>Notes</u>	<u>31 December</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
		£'000	£'000
CURRENT ASSETS			
Debtors	7	12,639	8,761
Cash at bank and in hand		<u>68,866</u>	<u>49,324</u>
		81,505	58,085
CREDITORS amounts falling due within one year	8	(23,022)	(18,406)
NET ASSETS		<u>58,483</u>	<u>39,679</u>
CAPITAL AND RESERVES			
Called up share capital	12	26,300	16,300
Equity capital contribution	14	(1,484)	(1,179)
Profit and loss account	14	<u>33,667</u>	<u>24,558</u>
SHAREHOLDERS' FUNDS	14	<u>58,483</u>	<u>39,679</u>

Notes 1 to 15 form part of these financial statements

The financial statements on pages 6 - 17 were approved by the board of directors and are signed on its behalf by



Director

30 April 2008

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2007**

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable UK accounting standards, and the Companies Act 1985, and under the historical cost accounting rules

REVENUE

Revenue includes fees and commission receivable net of commissions payable for selling fellow subsidiary products in continental Europe, and is accrued over the period for which these services are provided

TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All gains or losses on translation are included in the profit and loss account

POST RETIREMENT BENEFITS

Employees of the Company are eligible to join a Bank of New York Mellon or legacy Mellon Pension Scheme. The Group operates several pension schemes. For defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. For final salary (defined benefit) schemes the cost of providing pensions is accounted for over the employees' working lives on a systematic basis as advised by qualified actuaries. The cost of funding the scheme is borne by Mellon International Limited, an intermediate parent undertaking. A group personal pension scheme is funded by a monthly payment to a third party insurer. Full disclosures have been made in the annual report of Mellon International Limited.

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2007 – continued**

1. ACCOUNTING POLICIES – continued

SHARE BASED PAYMENTS

Where the Company's ultimate parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity settled in the consolidated accounts of the ultimate parent, the Company accounts for these share based payments as equity settled

RELATED PARTY TRANSACTIONS

The Company is ultimately a wholly owned subsidiary of The Bank of New York Mellon Corporation as at 31 December 2007. Accordingly, the Company has taken advantage of the exemption in Paragraph 3 (c) of Financial Reporting Standard 8 Related Party Disclosures. This exemption permits the non-disclosure of transactions and balances with related parties that are included in the consolidated financial statements of The Bank of New York Mellon Corporation, which are publicly available from the address given in note 15.

CASH FLOW STATEMENT

The Company is ultimately a wholly owned subsidiary of The Bank of New York Mellon Corporation as at 31 December 2007, and is included in the consolidated financial statements of that company, which are publicly available from the address given in note 15. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) Cash Flow Statements.

2 REVENUE

	<u>Year to</u> <u>31 December</u> <u>2007</u> <u>£'000</u>	<u>Restated*</u> <u>Year to</u> <u>31 December</u> <u>2006</u> <u>£'000</u>
Management fees	24,284	22,819
Commissions receivable	63,046	38,427
Commissions payable	(16,398)	(10,673)
Other income	24	22
	<u>70,956</u>	<u>50,595</u>

* Some items in the prior year have been reclassified for comparative purposes

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2007 – continued**

3 OPERATING PROFIT

The auditors' remuneration for audit and non-audit services for the current year is borne by the parent undertaking. The fee of the Company in respect of the audit of financial statements pursuant to legislation was £36,000 (2006 £84,000) and in respect of other services pursuant to such legislation was £1,000 (2006 £1,000).

4 STAFF COSTS

	<u>Year to</u> <u>31 December</u> <u>2007</u> <u>No</u>	<u>Year to</u> <u>31 December</u> <u>2006</u> <u>No</u>
Average number of employees (including directors) by activity		
Investment management services	192	135
	<u>Year to</u> <u>31 December</u> <u>2007</u> <u>£'000</u>	<u>Year to</u> <u>31 December</u> <u>2006</u> <u>£'000</u>
Wages and salaries	31,374	19,344
Social security costs	3,251	2,170
Pension costs (Note 10)	1,841	1,216
Other staff costs	1,058	1,129
	<u>37,524</u>	<u>23,859</u>
<u>Directors</u>	<u>£'000</u>	Restated * <u>£'000</u>
Aggregate emoluments	2,318	2,137
Amount receivable under long term incentive schemes	301	360
Company pension contributions	46	34

* Some items in the prior year have been restated for comparative purposes

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 – continued

4 STAFF COSTS - continued

The emoluments above and charged to the profit and loss account relate to all directors of the Company. One director exercised share options in the ultimate parent company, The Bank of New York Mellon Corporation, during the year (2006 One)

Retirement benefits are accruing to one director under a money purchase pension scheme (2006 one director). Retirement benefits are accruing to three directors under a defined benefit pension scheme (2006 three directors)

<u>Highest paid director</u>	£'000	Restated * £'000
Aggregate emoluments	781	1,043
Amounts receivable under long term incentive plans	200	300
Company pension contributions	-	-

* Some items in the prior year have been restated for comparative purposes

5 INTEREST RECEIVABLE

	<u>Year to</u> <u>31 December</u> <u>2007</u> £'000	<u>Year to</u> <u>31 December</u> <u>2006</u> £'000
Interest on short term deposits	<u>2,749</u>	<u>1,486</u>

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2007 – continued**6 TAXATION**

	<u>Year to</u> <u>31 December</u> <u>2007</u> <u>£'000</u>	<u>Year to</u> <u>31 December</u> <u>2006</u> <u>£'000</u>
UK corporation tax	4,097	5,104
Over provision in prior years	(104)	(9,392)
	<u>3,993</u>	<u>(4,288)</u>
Foreign tax	134	-
Current tax	<u>4,127</u>	<u>(4,288)</u>
Deferred tax (Note 9)	37	(290)
	<u>4,164</u>	<u>(4,578)</u>

The current tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

Profit on ordinary activities before taxation	<u>13,273</u>	<u>15,913</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	3,982	4,774
Effects of:		
Expenses not deductible for tax purposes	287	160
Temporary timing differences	(38)	170
Adjustments to tax in respect of previous years	(104)	(9,392)
Current tax	<u>4,127</u>	<u>(4,288)</u>

Factors that may affect future current and total tax charges:

A change in the UK rate of corporation tax from 30% to 28% was enacted in June 2007 and will be applicable from 1 April 2008 It is not expected that this will have a significant effect on the Company's current and deferred tax assets and liabilities

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 – continued

7 DEBTORS

	<u>31 December</u> <u>2007</u> £'000	<u>31 December</u> <u>2006</u> £'000
Prepayments and accrued income	3,375	3,218
Amounts owed by group undertakings	2,831	1,195
Trade debtors	5,411	2,887
Other debtors	1,022	1,461
	<u>12,639</u>	<u>8,761</u>

Other debtors includes £475,000 (2006 £512,000) deferred taxation asset in respect of other timing differences (Note 9)

8 CREDITORS: amounts falling due within one year

	<u>31 December</u> <u>2007</u> £'000	<u>31 December</u> <u>2006</u> £'000
Trade creditors	589	1,387
Corporation tax	2,151	2,286
Accruals and deferred income	12,834	7,591
Amounts owed to group undertakings	7,448	7,142
	<u>23,022</u>	<u>18,406</u>

9 DEFERRED TAXATION

	<u>31 December</u> <u>2007</u> £'000	<u>31 December</u> <u>2006</u> £'000
Tax effect of timing differences -		
Excess of depreciation over capital allowances	45	71
Long term incentive plans	406	415
Other	24	26
	<u>475</u>	<u>512</u>

The movement on the deferred tax asset is as follows -

	<u>Year to</u> <u>31 December</u> <u>2007</u> £'000	<u>Year to</u> <u>31 December</u> <u>2006</u> £'000
Balance brought forward	512	222
Transfer to profit and loss account (Note 6)	(37)	290
Balance carried forward	<u>475</u>	<u>512</u>

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2007 – continued**

10 PENSION OBLIGATIONS

The Company contributes to a money purchase scheme in the United Kingdom. The total pension cost for the Company in respect of the year to 31 December 2007 was £1,841,066 (2006 £1,215,993) (Note 4). At the year-end, contributions of £86,815 were payable to the scheme and are included in creditors (2006 £86,420).

The Company is a member of a larger group pension scheme providing benefits based on final pensionable pay. Since the Company was unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

— The plans were closed to new members effective 30 September 2006. From this date new-joiners are eligible to join the Mellon Group Personal Pension Plan.

11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

At 31 December 2007 the Company had derivative financial instruments not recognised on balance sheet as follows: a forward foreign exchange contract to sell \$10,000,000 against Sterling on 31 January 2008 at a rate of \$1.9960/£1, a forward foreign exchange contract to sell Japanese Yen 150,000,000 against sterling on 31 January 2008 at a rate of JPY 227.5/£1 and a forward foreign exchange contract to sell Euro 1,600,000 (2006 nil) against sterling on 31 January 2008 at a rate of €0.735/£1. The directors consider that the fair value is not significantly different from that at inception.

At 31 December 2006 the Company had derivative financial instruments not recognised on balance sheet as follows: a forward foreign exchange contract to sell \$1,000,000 against Sterling on 31 January 2007 at a rate of \$1.96250/£1, a forward foreign exchange contract to sell Japanese Yen 150,000,000 against sterling on 31 January 2007 at a rate of JPY 232.30/£1. The directors consider that the fair value is not significantly different from that at inception.

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counter party to meet its obligations under a contract. The company's only credit exposure is to debtors, which are frequently monitored for size and age. The balances with other companies within the Bank of New York Mellon Corporation group have minimal credit risk.

The company's exposure to credit risk is represented by the carrying amount of the assets.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the company's income. The objective of the company's market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2007 – continued**

The company is exposed to currency risk in respect of expenses, debtors and cash balances denominated in a currency other than sterling. The company exposure is kept to an acceptable level by managing the level of non-sterling cash balances on a regular basis. Material non-sterling receivables balances are hedged as appropriate using forward FX contracts.

Bank interest on deposits is the only source of interest exposure.

Liquidity risk

The company's policy throughout the year has been to maintain sufficient liquidity in line with FSA regulations. The aim is to maintain a strong capital base to support the development of its business and to meet regulatory capital requirement at all times. The board monitors the level of dividends to the immediate parent. There has been no charge to the company's approach to capital management during the year.

12 SHARE CAPITAL

	<u>31 December</u> <u>2007</u> £'000	<u>31 December</u> <u>2006</u> £'000
<u>Authorised</u>		
50,000,000 Ordinary shares of £1 each (2006 25,000,000)	50,000	25,000
<u>Allotted, called up and fully paid</u>		
26,300,000 Ordinary shares of £1 each (2006 16,300,000)	26,300	16,300

During the year the company issued 10,000,000 £1 ordinary shares at par.

13 SHARE BASED PAYMENTS

Performance-based awards are made to key employees at the discretion of the Compensation Committee of the Board of Directors of The Bank of New York Mellon ("BNY Mellon") Corporation, the ultimate parent undertaking. The granting of these awards is based upon the performance of key employees and on BNY Mellon's overall performance (or particular business line performance) in achieving its objectives. At the Committee's election, awards are paid in a lump sum or may be deferred and paid over a period of up to 15 years and are in the form of "restricted stock" under BNY Mellon's Long Term Incentive Plan (2004). The vesting of these shares is primarily related to service and is expected to occur over a one-to-seven year period. The merger of Mellon Financial Corporation and the Bank of New York triggered a change of control event on 24 May 2007 for Mellon Financial Corporation. The effect of the change in control event was that all restricted stock and stock options granted prior to 2007 automatically vested. Employees are generally prevented from selling or transferring restricted stock for a three-year period and generally the shares or units are forfeited if employment is terminated.

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2007 – continue

The following table summarises the non-vested restricted stock activity for the current and comparative period

	2007		2006	
	Number of shares	Weighted- average fair value	Number of shares	Weighted- average fair value
Non-vested restricted stock at 1 January 2007	116,456	\$32 49	92,350	\$29 89
Granted	88,893	\$45 62	48,058	\$35 52
Exercised	(88,886)	\$43 30	(23,630)	\$35 99
Forfeited	(5,317)	-	(322)	-
Non-vested restricted stock at 31 December 2007	<u>111,146</u>	<u>\$43 69</u>	<u>116,456</u>	<u>\$32 49</u>

As of 31 December 2007 £1,484,000 (2006 £1,179,000) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over a weighted-average period of approximately 25.1 months (2006 22.3 months)

The accounting treatment of awards in the form of restricted stock are governed by FRS 20, "Share based payments" which requires the Company to account for the services of the employees during the vesting period with a corresponding increase in shareholders funds

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>31 December</u> <u>2007</u> <u>£'000</u>	<u>31 December</u> <u>2006</u> <u>£'000</u>
Shareholders' funds brought forward	39,679	15,640
Profit for the financial year	9,109	20,491
Equity capital contribution	(305)	(436)
Interim dividends paid on ordinary shares	-	(1,016)
New share capital subscribed	10,000	5,000
Shareholders' funds carried forward	<u>58,483</u>	<u>39,679</u>

BNY MELLON ASSET MANAGEMENT INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2007 – continued

	<u>P&L</u> <u>Reserve</u>	<u>Share Capital</u>	<u>Equity</u> <u>Capital</u> <u>Contribution</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Balance as at 1 January 2007	24,558	16,300	(1,179)	39,679
Profit for the year	9,109	-	-	9,109
New share capital subscribed	-	10,000	-	10,000
Restricted stock vested in Year	-	-	947	947
Restricted stock issued in Year	-	-	(2,071)	(2,071)
Amortisation of restricted stock	-	-	705	705
Forfeiture of restricted stock	-	-	114	114
Balance as at 31 December 2007	<u>33,667</u>	<u>26,300</u>	<u>(1,484)</u>	<u>58,483</u>

15 ULTIMATE CONTROLLING COMPANY

The ultimate holding company as at 31 December 2007 was The Bank of New York Mellon Corporation, a company incorporated and registered in the United States of America. Copies of the consolidated financial statements of the ultimate parent company can be obtained from

The Secretary
The Bank of New York Mellon Corporation
One Wall Street
New York
NY 10286

The immediate parent undertaking and controlling party is BNY Mellon Asset Management International Holdings Limited, a company incorporated in England and Wales. Copies of accounts for BNY Mellon Asset Management International Holdings Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.