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**BNY Mellon Investment Management EMEA Limited**  
**(formerly BNY Mellon Asset Management International Limited)**

**Strategic report, Directors' report and financial statements**

**Registered number: 1118580**

**For the year ended 31 December 2013**



# **BNY Mellon Investment Management EMEA Limited**

## **(formerly BNY Mellon Asset Management International Limited)**

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# **BNY Mellon Investment Management EMEA Limited (formerly BNY Mellon Asset Management International Limited)**

## **Board of Directors and other information**

### **Directors**

G A Brisk  
A C Gordon  
M Oomen  
P Pardi  
S J M Spence

### **Secretary**

BNY Mellon Secretaries (UK) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

### **Auditor**

KPMG Audit Plc  
15 Canada Square  
London  
E14 5GL

### **Registered Office**

BNY Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

### **Registered Number**

1118580

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Strategic report**

In accordance with Section 414A(1) of the Companies Acts 2006, we have prepared the Strategic report which includes a review of BNY Mellon Investment Management EMEA Limited ("the Company") business and future developments, a description of the principal risks and uncertainties facing the group and key performance indicators

The Company has continued to operate profitably and there have been no significant changes in the Company's core operations during the year

As part of on-going legal entity restructuring, the Company disposed of its 100% holding in BNY Mellon Investment Management Korea Limited, a company incorporated in South Korea. The company injected RMB 49,000,000 (equivalent to £5,204,000) into BNY Mellon Western Fund Management Company Limited)

Management have conducted an impairment assessment on the carrying value of the investment in a joint venture. This has resulted in an impairment of £9,200,000 which has been charged to the profit and loss account in the year (see note 12)

The Company's key financial and other performance indicators during the year were as follows

	<b>2013</b>	<b>2012</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Turnover	105,943	90,580	17%
Administrative expenses	(71,668)	(59,407)	21%
Net assets	111,294	106,268	5%

Turnover increased by £15,363,000 (17%) during the year. The Company's revenues are driven mainly from the value of assets managed and thus are impacted by stock market conditions and sales of BNY Mellon products. Average stock market levels rose by 8% year-on-year and this, combined with strong new business levels in 2013, have helped to grow revenue.

Administrative expenses increased by £12,261,000 (21%) during the year. This movement reflects increased expenditure on wages and salaries including market driven and discretionary incentive plan expenses. Higher net inter-company charges were also a significant contributing factor to the increase.

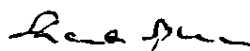
Profit on ordinary activities before taxation includes interest receivable, interest payable and foreign exchange gains and losses not included in operating profit. Year-on-year net charges from these sources decreased by £391,000, reflecting lower foreign exchange losses on intercompany exposures. The Company has its largest foreign exchange exposure to US Dollars, Japanese Yen and Euros.

Net assets increased 5% during the year, predominantly reflecting the current year profit after tax offset by the £15,000,000 dividend paid in the year.

## **Future developments**

During 2014, the Company will continue to develop and launch new products and services to clients and seek to optimise fund management capabilities within the BNY Mellon group.

By order of the Board



S J M Spence  
Director

BNY Mellon Investment Management EMEA Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

17 April 2014

Registered number 1118580

# **BNY Mellon Investment Management EMEA Limited (formerly BNY Mellon Asset Management International Limited)**

## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2013

### **Change of name**

On 27 January 2014, the Company changed its name from BNY Mellon Asset Management International Limited to BNY Mellon Investment Management EMEA Limited

### **Principal activities**

The principal activities of the Company is to market, sell and distribute the investment management capabilities of fellow BNY Mellon investment management subsidiaries and a series of BNY Mellon fund ranges registered in the UK, Ireland and Luxembourg 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 management subsidiaries.

The Company is headquartered in London and has branch and representative offices in major financial centres, including Amsterdam, Madrid, Milan, Paris, and Zurich and affiliated offices in Johannesburg, Dubai and Santiago. The Company has a 49% joint venture interest in BNY Mellon Western Fund Management Company Limited, a company incorporated in China.

The Company is authorised by the Financial Conduct Authority ("FCA") following the separation of the Financial Services Authority ("FSA") into the separate regulatory authorities on 1 April 2013. All the Company's activities during the year were regulated and conducted within the scope of permissions granted to the Company by the FCA.

### **Results and dividends**

The profit for the year after taxation amounted to £16,963,000 (2012: £22,709,000).

Interim dividends paid during the year amounted to £15,000,000 (2012: £nil). The directors do not recommend a final dividend for the year ended 31 December 2013 (2012: £nil).

### **Risk management**

The Company is a BIPRU limited licence firm and is regulated by the FCA. Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis. At 31 December 2013, surplus regulatory capital as reflected within the Company's regulatory returns amounted to £34,536,000 (2012: £34,207,000). The year-on-year surplus regulatory capital increase reflects 2012 profit after tax offset by dividends paid during the year and higher Individual Capital Guidance deduction.

### **Governance and policies**

Policies and procedures are in place to govern and manage the business. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

Governance of the Company is the ultimate responsibility of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the firm as part of the risk framework.

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. Significant issues arising from these committees may be reported up to the appropriate EMEA or Asset Management committee. The committees' remit extends to other companies within the BNY Mellon Investment Management EMEA (IM EMEA) business.

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Directors' report – continued**

The key committees include

- IM EMEA Executive Operating Committee, The Executive Operating Committee is the senior governance and decision making forum within the Company and is made up of directors and senior managers. A number of committees report up to the Executive Operating Committee
- IM EMEA Risk and Compliance Committee, The Company also operates a monthly Risk and Compliance Committee, chaired by the Head of Compliance and attended by the Head of Risk Management, directors and other senior managers. The committee receives a report from the Head of Risk Management on current risk issues and activities

There are a number of regional key oversight committees in place to build on the Corporate Global Risk Management Framework. The BNY Mellon EMEA (Europe, Middle East, and Africa) Senior Risk Management Committee which has an oversight responsibility covering the major risk sources, including Compliance of the EMEA region, is the most senior committee. The BNY Mellon EMEA Senior Risk Committee is attended by senior risk managers and business chief operating officers. Reports are provided and reviewed covering the risk sources and any issues that need monitoring. The BNY Mellon EMEA Senior Risk Management Committee has a number of sub committees focussing on specific areas of risk.

### **Risk management process**

The lines of business are responsible for actively identifying the risks associated with their key business processes, business change or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this detailed self-assessment is to prevent or minimise

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

The Company utilises the BNY Mellon Operational Risk Platform to achieve the above. The platform is used to maintain risk and control self-assessments, high level assessments, key risk indicators and tracking of operational risk events. Risk Management works in partnership with the business to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company.

The Risk Appetite at Bank of New York Mellon Corporation group ("the Group") level is set and owned by the BNY Mellon Board of Directors, giving the overall strategy and willingness to take on risk at a global level. The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the group and in coordination with the relevant business expertise.

Risks of the Company are measured, monitored and reported monthly to the IM EMEA Risk and Compliance Committee as part of the risk management framework which has been adopted.

### ***Credit risk***

Credit risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform.

### ***Market risk***

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, deposits and borrowings, and interest rate exposure on cash balances, deposits and borrowings.

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Directors' report – continued**

### ***Operational risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes

### ***Liquidity risk***

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms

### ***Business risk***

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy

### ***Compliance risk***

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation

### **Pillar 3 risk disclosures**

Basel II Pillar 3 disclosures about the Company (capital and risk management) are covered by the BNY Mellon Investment Management (Europe) Holdings Limited group disclosures which can be found on the group website (<http://www.bnymellon.com/investorrelations/filings/index.html>)

### **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 Group's 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 and pay for performance remuneration philosophy. Any variable remuneration 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 and may be subject to deferral. All employees have the opportunity to purchase stock through the Group's Employee Stock Purchase Plan and the key employees are eligible to participate in a long term incentive scheme which links their compensation to the growth in value and financial performance of the Company.

The Company 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 Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Directors' report – continued**

### **Directors**

The directors who served during the year and up to the date of the report were as follows

	<b>Appointment</b>	<b>Resignation</b>
G A Brisk	-	-
A C Gordon	30 January 2014	-
J W Lewin	-	15 March 2013
J F Lubran	29 January 2013	11 December 2013
M Oomen	17 April 2013	-
P Pardi	-	-
S J M Spence	-	-

### **Directors' indemnity provision**

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2012: £nil).

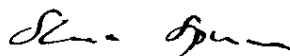
### **Disclosure of information to auditor**

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 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 auditor is aware of that information.

### **Auditor**

Our auditor, KPMG Audit Plc has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditor. A resolution concerning their appointment will be put to the forthcoming board meeting of the company.

By order of the Board



S J M Spence  
Director

BNY Mellon Investment Management EMEA Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

12 April 2014

Registered number 1118580



## **BNY Mellon Investment Management EMEA Limited (formerly BNY Mellon Asset Management International Limited)**

### **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the 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).

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, 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 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **BNY Mellon Investment Management EMEA Limited (formerly BNY Mellon Asset Management International Limited)**

## **Independent auditor's report to the members of BNY Mellon Investment Management EMEA Limited**

We have audited the financial statements of BNY Mellon Investment Management EMEA Limited for the year ended 31 December 2013 set out on pages 10 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



**Paul Furneaux (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

17 April 2014

# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Profit and loss account for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	105,943	90,580
Administrative expenses		(71,668)	(59,407)
<b>Operating profit</b>	3	<b>34,275</b>	<b>31,173</b>
Interest receivable and similar income	7	300	264
Interest payable and similar charges	8	(53)	(408)
Impairment of fixed asset investment	9	(9,200)	-
<b>Profit on ordinary activities before taxation</b>		<b>25,322</b>	<b>31,029</b>
Taxation on profit on ordinary activities	10	(8,359)	(8,320)
<b>Profit for the financial year</b>		<b>16,963</b>	<b>22,709</b>

Notes 1 to 23 are integral to these financial statements

All items dealt with in arriving at the Company's results for the financial year relate to continuing operations

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

# BNY Mellon Investment Management EMEA Limited

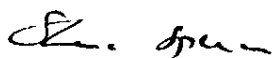
(formerly BNY Mellon Asset Management International Limited)

## Balance sheet at 31 December 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	11	172	440
Investments	12	21,747	29,366
		<u>21,919</u>	<u>29,806</u>
<b>Current assets</b>			
Other assets	13	-	32
Debtors	14	23,246	23,123
Cash at bank and in hand	15	99,484	88,125
		<u>122,730</u>	<u>111,280</u>
Creditors amounts falling due within one year	16	(33,355)	(34,818)
<b>Net current assets</b>		<u>89,375</u>	<u>76,462</u>
<b>Net assets</b>		<u>111,294</u>	<u>106,268</u>
<b>Capital and reserves</b>			
Called up share capital	17	47,661	47,661
Equity capital contribution	18	10,620	7,557
Profit and loss account	18	53,013	51,050
<b>Shareholders' funds</b>	18	<u>111,294</u>	<u>106,268</u>

Notes 1 to 23 are integral to these financial statements.

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



S J M Spence  
Director

12 April 2014

Registered Number 1118580

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Notes to the financial statements** **at 31 December 2013**

### **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

The following amendments to standards have been adopted in these financial statements for the first time and have not had a material impact

- The Companies Act 2006 (Strategic report and Directors' report) Regulations 2013, applying to financial years ending on or after 30 September 2013

### **Basis of preparation**

The financial statements have been prepared on the going concern basis in accordance with applicable UK accounting standards and under the historical cost accounting rules, modified for the valuation of certain assets and liabilities

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company and all its subsidiary undertakings are included in the consolidated financial statements for a larger group drawn up for the same date in a manner equivalent to that proscribed by the EU Seventh Directive (83/349/EEC). The group in which its results are consolidated is The Bank of New York Mellon Corporation group, incorporated in the United States of America. These financial statements present information about the Company as an individual undertaking and not about its group.

### ***Related party transactions***

As the Company is an wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

### ***Cash flow statement***

The Company is a wholly owned indirect subsidiary of the Group, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

### ***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 pages 4 to 7 includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk.

The directors perform an annual going concern assessment that considers, under a stress test scenario, the Company's ability to meet its forecast financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. The Company has adequate liquidity and capital, and appropriate cash flow management. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# **BNY Mellon Investment Management EMEA Limited**

## **(formerly BNY Mellon Asset Management International Limited)**

### **Notes to the financial statements - continued**

#### **at 31 December 2013**

#### **1. Accounting policies - continued**

##### **Turnover**

Turnover, which is stated net of value added tax, comprises external trust management fees, performance fees and indirect management fees received through fellow group companies, net of distribution costs and renewal commission payable and is accrued over the period for which these services are provided

Management fees are fees paid for the management of investment portfolios. These are recognised as the services are provided and are calculated on various formulae linked to the value of portfolios at invoicing dates and investment performance in current and previous periods. Revenue is recognised for the element of management fees linked to performance when such fees in respect of each calendar year are receivable in accordance with management agreements.

##### **Segmental reporting**

A segment is a distinguishable component of the Company which is specific to either the type of product or service (business segment), or to products and services provided within a particular economic environment (geographical segment), where the risks and rewards are different from those of other segments

Currently, the directors consider that the Company's services comprise one business segment (being the provision of investment management services) and that it operates in the UK market which is not geographically segmented

##### **Interest, fees and commission**

Interest, fees and commission, both income and expense, are recognised on an accruals basis

##### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities measured at net book value less impairments in a foreign currency are translated into the functional currency using the rate of exchange at the date the net book value less impairments was determined

##### **Post retirement benefits**

The Company operates a defined contribution scheme and participates in a defined benefit scheme

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. A Group personal pension scheme is funded by a monthly payment to a third party insurer

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The assets of the schemes are held separately from those of the Company

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Notes to the financial statements - continued** **at 31 December 2013**

### **1. Accounting policies - continued**

#### **Share based payments**

The cost of share based payment arrangements is measured by reference to the fair value of equity instruments on the date they are granted, recognised as an expense over the vesting period, with a corresponding credit to the equity capital contribution reserve. The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. All share based payments are equity settled. Where an employee has transferred between different Companies within the BNY Mellon Group, current and future years' amortisation of all types of share based payments issued in prior years will be charged to the new Company from the year of transfer.

Fair value is determined by using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Market performance conditions are reflected as an adjustment to the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition is satisfied, provided all other conditions are satisfied.

Market conditions for equity-settled transactions are reflected in the initial measurement of fair value. There is no "true up" (adjustment) if the expected and actual outcomes differ because of the market conditions. Additionally, like market conditions, non-vesting conditions are reflected in the initial measurement of fair value and there is no subsequent true up for differences between the expected and the actual outcome.

Vesting conditions, other than market performance conditions, are not factored into the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

Certain of our share-based payment awards vest when the employee retires. For grants of share-based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire.

#### **Taxation**

Income tax comprises current tax and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in the statement of total recognised gains and losses, in which case it is recognised directly in the statement of total recognised gains and losses. Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by 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 recognised without discounting on timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are generally recognised and deferred tax assets are recognised to the extent that it is probable that they will be recoverable. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity.

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Notes to the financial statements - continued** **at 31 December 2013**

### **1. Accounting policies - continued**

#### **Derivative financial instruments**

##### *Initial recognition and subsequent measurement*

The Company uses derivative financial instruments mainly forward currency contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are recognised directly in the profit and loss account.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

#### **Software development expenditure**

Expenditure on software development is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed future benefits and adequate resources exist to enable the project to be completed. All software development projects are subject to an annual impairment assessment.

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings and joint ventures are stated at cost less any permanent diminution in value.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is provided to write-off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Internally developed software	-	5 years
Motor vehicles	-	5 years

#### **Dividends**

Dividends are recognised as a liability at the date that they are declared, to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### **2. Analysis of turnover**

#### **By activity**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Management fees	26,972	23,942
Net commission receivable	78,496	66,471
Other income	475	167
	<u>105,943</u>	<u>90,580</u>



# BNY Mellon Investment Management EMEA Limited

(formerly BNY Mellon Asset Management International Limited)

## Notes to the financial statements - continued

at 31 December 2013

### 3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2013 £000	2012 £000
Depreciation of tangible fixed assets	268	138
Auditor's remuneration		
Audit of these financial statements pursuant to legislation	32	32
Other services pursuant to such legislation	25	25
	<u>57</u>	<u>57</u>

### 4. Staff costs

	2013 £000	2012 £000
Salaries and wages	33,876	29,934
Social security costs	4,933	3,894
Share based payments (refer to note 20)	2,342	2,075
Pension costs (refer to note 6)	2,095	1,861
Other staff costs	672	365
	<u>43,918</u>	<u>38,129</u>

The average monthly number of persons employed by the Company during the year was 204 (2012 184), of which 5 were directors (2012 4)

### 5. Directors' emoluments

	2013 £000	2012 £000
Directors' emoluments	4,019	4,152
Company contributions to money purchase pension schemes	64	77
Company contributions to defined benefit pension schemes	45	89
Compensation for loss of office	-	529

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £2,194,000 (2012. £1,491,000) and company pension contributions of £40,000 (2012 £42,000) were made to a money purchase scheme on their behalf

	Number of Directors	
	2013	2012
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	3	3
Defined benefit schemes	<u>2</u>	<u>2</u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	<u>5</u>	<u>5</u>

Four directors exercised share options in the ultimate parent company, The Bank of New York Mellon Corporation, during the year (2012 two directors)

# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Notes to the financial statements - continued

#### at 31 December 2013

#### 6. Pensions costs

Employees of BNY Mellon Investment Management EMEA Limited are eligible to join The Bank of New York Mellon Group Personal Pension scheme. The group personal pension scheme is funded by a monthly payment to a third party insurer.

There are two multi-employer defined benefit schemes where the contributions made are affected by surpluses or deficits in the schemes. These are The Bank of New York Pension Plan and the Mellon Retirement Benefits Plan. However, the qualified independent actuaries have confirmed that they are unable to identify the share of the underlying assets and liabilities in the schemes that relate to persons employed by BNY Mellon Investment Management EMEA Limited but dedicated to the Company's business on a consistent and reasonable basis. As allowed by FRS 17, the Company has accounted for the contributions to the schemes as if they were defined contribution schemes. The defined benefit pension schemes costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method. Any surpluses or deficits in the schemes are the responsibility of The Bank of New York Mellon London Branch which, in the past, has funded all special contributions required.

In respect of The Mellon Retirement Benefits Plan, the latest actuarial valuation was carried out as at 31 December 2013 for the purpose of FRS17 and this showed a deficit of £7.3 million (2012 surplus of £6.4 million). Contributions to the fund were determined at the rate of 18.5% to 25.7% of pensionable salaries, depending on member category (2012: 18.5% to 25.7%). The plan was closed to new members effective 30 September 2006. From this date new joiners are eligible to join the Bank of New York Mellon Group Personal Pension Plan. In addition to normal contributions there was also a lump sum funding of £10 million in the year.

The rate of future contributions to both funds was determined by actuarial valuations undertaken in January 2014 and remain unchanged to the rates mentioned above.

The total pension cost for the period was £2,095,000 (2012: £1,861,000) and no amount (2012: £21,000) was payable to the schemes at the year end.

#### 7. Interest receivable and similar income

	2013 £000	2012 £000
Receivable from group undertakings	155	113
Receivable from short term deposits	145	151
	<u>300</u>	<u>264</u>

#### 8. Interest payable and similar charges

	2013 £000	2012 £000
Net foreign exchange loss	53	408

#### 9. Impairment of fixed asset investment

	2013 £000	2012 £000
Impairment of fixed asset investment (see note 12)	<u>9,200</u>	<u>-</u>

# BNY Mellon Investment Management EMEA Limited (formerly BNY Mellon Asset Management International Limited)

## Notes to the financial statements - continued at 31 December 2013

### 10. Taxation

	2013 £000	2012 £000
<i>Analysis of charge in the period</i>		
Taxation is based on profit before tax for the year and comprises		
Current corporation tax charge for the year at 23.25% (2012: 24.5%)	8,948	8,228
Current foreign tax on income for the year	161	95
Double taxation relief	(123)	(77)
Adjustments in respect of prior periods		
- UK corporation tax	(164)	71
- Foreign tax	-	18
Total current tax	8,822	8,335
Deferred tax (refer note 14)		
Origination and reversal of timing differences	(472)	(13)
Effect of change in corporation tax rate	11	7
Adjustments in respect of prior periods	(2)	(9)
Total deferred tax	(463)	(15)
Taxation on profit on ordinary activities	8,359	8,320

#### *Factors affecting the tax charge for the current period*

The current corporation tax charge for the year is higher (2012: higher) than the standard rate of tax for the year, for the reasons set out in the following reconciliation

	2013 £000	2012 £000
Profit on ordinary activities before tax	25,322	31,029
Tax charge on profit on ordinary activities at standard rate of 23.25% (2012: 24.5%)	5,887	7,602
Factors affecting tax charge		
- Expenses not deductible for tax purposes	2,512	612
- Foreign taxes	38	18
- Other short term timing differences	549	14
- Adjustments in respect of prior periods - UK corporation tax	(164)	71
- Adjustments in respect of prior periods - Foreign tax	-	18
Current corporation tax charge for year	8,822	8,335

#### *Factors that may affect future current and total tax charges*

The main rate of UK corporation tax was reduced from 24% to 23% effective from 1 April 2013 and results in a weighted average tax rate of 23.25% for 2013 (2012: 24.5%). During 2013, Finance Act 2013 enacted further reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. The 20% rate was substantively enacted as at the balance sheet date, and it is expected that the majority of deferred tax balances shall reverse after 1 April 2015. Therefore the deferred tax balances as at 31 December 2013 have been stated at 20% resulting in a reduction in the net deferred tax asset at year end. For the deferred tax balances that are expected to reverse prior to 1 April 2015, the impact of the rate change is not expected to be material.

# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Notes to the financial statements - continued

#### at 31 December 2013

#### 11. Tangible fixed assets

	Internally Developed Software £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2013	992	79	1,071
Disposals and write offs	-	(79)	(79)
At 31 December 2013	992	-	992
Depreciation			
At 1 January 2013	(552)	(79)	(631)
Charge for the year	(268)	-	(268)
Disposals and write offs	-	79	79
At 31 December 2013	(820)	-	(820)
Net book value			
At 31 December 2013	172	-	172
At 31 December 2012	440	-	440

#### 12. Fixed asset investments

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost			
At 1 January 2013	19,983	9,383	29,366
Additions	1,213	5,204	6,417
Impairment	-	(9,200)	(9,200)
Disposals	(4,836)	-	(4,836)
At 31 December 2013	16,360	5,387	21,747

During 2013, the Company injected £1,213,000 into BNY Mellon Investment Management Korea Limited and disposed of its holding in this company later in the year. The Company also injected £5,204,000 into BNY Mellon Western Fund Management Company Limited.

The impairment in the year relates to an affiliate where management believes the Company will not be able to realise further value from the joint venture than its current net asset value. This has resulted in a loss of £9,200,000 which has been charged to the profit and loss account in the year as an impairment of fixed asset investment.

# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Notes to the financial statements - continued

#### at 31 December 2013

#### 12. Fixed asset investments - continued

The principal companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation or registration	Principal activities	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
BNY Mellon Fund Managers Limited	England & Wales	Management and administration of unit trust/OEICs	Ordinary 100%
BNY MFM Nominees Limited	England & Wales	Dormant non-trading company	Ordinary 100%
<i>Joint ventures</i>			
BNY Mellon Western Fund Management Company Limited	China	Investment management	Ordinary 49%

Management have conducted an impairment assessment of the carrying value of the investments based on the net asset values of the subsidiaries and have concluded that no other impairment exists at the balance sheet date

#### 13. Other assets

	Projects in progress £000
Cost	
At 1 January 2013	32
Written off	(32)
At 31 December 2013	-

Other assets related to the cost of software development work-in-progress projects Brought forward costs have been written off in the year

#### 14. Debtors

	2013 £000	2012 £000
Trade debtors	1,865	882
Due from fellow group undertakings	12,530	15,427
Other debtors	726	469
Deferred tax assets (refer below)	550	87
Prepayments and accrued income	7,575	6,258
	<u>23,246</u>	<u>23,123</u>

# BNY Mellon Investment Management EMEA Limited

(formerly BNY Mellon Asset Management International Limited)

## Notes to the financial statements - continued

at 31 December 2013

### 14. Debtors – continued

Deferred tax is made up of the following

	2013 £000	2012 £000
At 1 January	87	72
Profit and loss credit (refer note 10)	463	15
At 31 December	<u>550</u>	<u>87</u>

The deferred tax asset has been recognised in full based on its expected recoverability due to future profits of the Company. The major components of deferred tax are as follows

	2013 £000	2012 £000
Real Equity Scheme	-	5
Excess of depreciation over capital allowances	87	82
Other	463	-
	<u>550</u>	<u>87</u>

### 15. Cash at bank and in hand

	2013 £000	2012 £000
Cash at bank	<u>99,484</u>	<u>88,125</u>

Cash at bank included £71,251,000 (2012 £58,141,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon group

### 16. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank overdrafts	-	434
Due to fellow group undertakings	15,781	12,738
Corporation tax	4,504	3,913
Accruals and deferred income	13,070	17,733
	<u>33,355</u>	<u>34,818</u>

### 17. Called up share capital

	2013 £000	2012 £000
Allotted, and fully paid 47,660,546 ordinary shares of £1 each (2012 47,660,546),	<u>47,661</u>	<u>47,661</u>

# BNY Mellon Investment Management EMEA Limited

(formerly BNY Mellon Asset Management International Limited)

## Notes to the financial statements - continued

at 31 December 2013

### 18. Movement in reserves

	Share capital account £000	Profit & loss account £000	Equity capital contribution £000	Total £000
<b>2013</b>				
At 1 January	47,661	51,050	7,557	106,268
Equity capital contribution	-	-	3,063	3,063
Profit for the financial year	-	16,963	-	16,963
Ordinary dividend paid	-	(15,000)	-	(15,000)
At 31 December	47,661	53,013	10,620	111,294
<b>2012</b>				
At 1 January	31,300	28,341	5,748	65,389
Share capital issued	16,361	-	-	16,361
Equity capital contribution	-	-	1,809	1,809
Profit for the financial year	-	22,709	-	22,709
At 31 December	47,661	51,050	7,557	106,268

### 19. Financial instruments

As at 31 December 2013, the Company had derivative financial instruments as follows

Forward foreign exchange contracts	Buy / Sell	Amount	Contract Date	Rate
US Dollars	Sell	11,100,000	31 January 2014	\$1 649/£1
Euros	Sell	700,000	31 January 2014	€1 198/£1

As at 31 December 2013, when these financial instruments were entered into, the fair value was £nil

As at 31 December 2012, the Company had derivative financial instruments as follows

Forward foreign exchange contracts	Buy/Sell	Amount	Contract Date	Rate
US Dollars	Sell	3,000,000	31 January 2013	\$1 623/£1
Euros	Sell	1,700,000	31 January 2013	€1 231/£1
Japanese Yen	Sell	46,000,000	31 January 2013	¥136 66/£1
Hong Kong Dollars	Sell	22,200,000	31 January 2013	\$12 587/£1
Swiss Francs	Sell	720,000	31 January 2013	F1 484/£1

As at 31 December 2012, when these financial instruments were entered into, the fair value was £nil

# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Notes to the financial statements - continued

#### at 31 December 2013

#### 20. Share based payments

Certain employees dedicated to the Company's business participate in two group long-term incentive plans which issue shares in BNY Mellon

##### Stock options

These awards provide for the issuance of stock options at fair market value at the date of grant. Generally, options vest in tranches over a specified period, expire after 10 years from the grant date and are subject to forfeiture until certain restrictions have lapsed, predominantly continued employment by The Bank of New York Mellon Group for a specified period. All options are to be settled by physical delivery of shares. Details of all options existing during the year are shown below.

##### Restricted stock and restricted stock units (RSU)

These awards are granted at no cost to the recipient. Generally restricted stock and RSUs vest in tranches over a specified period, expire on vesting and are subject to forfeiture until certain restrictions have lapsed, predominantly continued employment by The Bank of New York Mellon Group for the specified vesting period. The recipient of a share of restricted stock is entitled to voting rights and generally is entitled to dividends on the common stock. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse. The recipient generally is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding but does not receive voting rights. The fair value of restricted stock and RSUs is equal to the fair market value of The Bank of New York Mellon common stock on the date of grant. All restricted stock and RSUs are to be settled by physical delivery of shares.

##### Stock options - 2013

	Shares subject to option Number of shares	Weighted average exercise price \$
Balance outstanding at 1 January	69,185	27.29
Transfers	(9,396)	30.49
Granted	-	-
Exercised	(426)	22.03
Forfeited	(2,128)	22.03
Cancelled	(2,210)	31.89
Balance outstanding at 31 December	<u>55,025</u>	<u>26.80</u>
Exercisable at 31 December	<u>27,527</u>	<u>30.70</u>



# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Notes to the financial statements - continued

#### at 31 December 2013

#### 20. Share based payments – continued

##### Stock options - 2012

	Shares subject to option Number of shares	Weighted average exercise price \$
Balance outstanding at 1 January	57,277	30 44
Granted	31,009	22 03
Exercised	(3,315)	18 02
Forfeited	(7,557)	25 84
Cancelled	(8,229)	34 52
Balance outstanding at 31 December	69,185	27 29
Exercisable at 31 December	31,513	32 25

426 share options were exercised during 2013 at a weighted average price of \$22 03 (2012 3,315 were exercised at a weighted average price of \$18 02)

##### Stock options outstanding at 31 December 2013

Range of exercise price (\$)	Number outstanding 31 Dec	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
11-20	6,775	5 2	18 02
21-30	27,434	7 4	22 40
31-40	13,631	4 0	31 52
41-50	7,185	3 6	42 88
	55,025	6 0	26 80

##### Stock options outstanding at 31 December 2012

Range of exercise price (\$)	Number outstanding 31 Dec	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
11 – 20	9,720	4 9	18 02
21 – 30	29,988	8 4	22 37
31 – 40	19,849	3 9	31 61
41 – 50	9,628	3 6	43 03
	69,185	6 0	27 29

During 2013, £nil was charged to the profit and loss account in respect of share based option plans settled in equity (2012 £nil)

No options were granted in the period. The weighted average fair value of options granted in 2012 was \$5 50

# BNY Mellon Investment Management EMEA Limited

## (formerly BNY Mellon Asset Management International Limited)

### Notes to the financial statements - continued

#### at 31 December 2013

#### 20. Share based payments - continued

The lattice-based binomial method is used to calculate the fair value on the stock options on the grant date using the weighted-average assumptions noted in the table below

	2013	2012	2011
Dividend yield	-	3.0%	2.2%
Expected volatility	-	35	32
Risk-free interest rate	-	1.38	2.75
Expected option lives (in years)	-	6.9	6.7
Weighted average share price	-	\$22.03	\$30.13
Weighted average exercise price	-	\$22.03	\$30.13

No options were granted in 2013

For 2012 the assumptions were determined as follows

- Expected volatilities were based on implied volatilities from traded options, historical volatility, and other factors
- Historical data was used to estimate option exercises and terminations within the valuation model
- The risk-free rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve at the time of grant

The expected term of options granted was derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding

#### Restricted share awards

	2013 Number of awards	2012 Number of awards
Balance outstanding at 1 January	370,128	266,737
Staff transfers	(43,241)	(184)
Awarded during the year	161,148	200,914
Released / (vested) in the year	(72,494)	(83,326)
Forfeited / cancelled	(1,111)	(14,013)
Balance outstanding at 31 December	414,430	370,128

The weighted-average fair value of restricted share awards in 2013 was \$25.79 (2012 \$26.04)

During 2013, £2,342,000 was charged to the profit and loss account in respect of restricted share awards settled in equity (2012 £2,075,000)

As at 31 December 2013, £2,095,000 / \$3,320,000 (2012 £2,532,000 / \$4,013,000) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over the weighted average period of approximately 1.2 years (2012 1.4 years)

#### 21. Transactions involving directors and officers

At 31 December 2013 there were no loans and other transactions made to directors and officers of the Company (2012 £nil)

# **BNY Mellon Investment Management EMEA Limited** **(formerly BNY Mellon Asset Management International Limited)**

## **Notes to the financial statements - continued** **at 31 December 2013**

### **22. Future financial commitments**

At the end of the year the Company had the following commitments for the coming year under non-cancellable operating leases

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Land and buildings - expiring in 1 to 5 years	<u>172</u>	<u>76</u>

### **23. Parent company**

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

The largest and smallest group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America.

The ultimate parent company as at 31 December 2013 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from

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