

BNY Mellon Asset Management International Limited

Directors' report and financial statements

Registered number: 1118580

For the year ended 31 December 2009

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BNY Mellon Asset Management International Limited

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BNY Mellon Asset Management International Limited

Board of Directors and Other Information

Directors

G A Brisk
J M Little
A Mearns
S J M Spence

Secretary

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

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

Registered Number

1118580

BNY Mellon Asset Management International Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

Principal activities

The principal activities of BNY Mellon Asset Management International Limited ("the Company") is to market, sell and distribute the investment management capabilities of fellow BNY Mellon investment management subsidiaries globally (excluding the USA) and a series of BNY Mellon fund ranges registered in the UK, Ireland and the Cayman Islands 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 the UK, Dubai, Madrid, Milan, Paris, Seoul and Zurich. In December 2009, the Company incorporated a new subsidiary in Korea, BNY Mellon Asset Management Korea Limited. Once the Korean regulatory licence is approved for this subsidiary, which is expected during 2010, the Company intends to close the Seoul representative office.

The Company is authorised and regulated by the Financial Services Authority ("FSA"), pursuant to the Financial Services & Markets Act 2000. All the Company's activities during the year were regulated and conducted within the scope of permissions granted to the Company by the FSA.

Results and dividends

The profit for the year after taxation amounted to £3,708,000 (2008 £11,591,000)

Interim dividends paid during the year amounted to £1,000,000 (2008 £nil). The directors recommended a £5,000,000 final dividend for the year ended 31 December 2009, which was approved and paid in February 2010 (2008 £nil).

Business review

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

	2009 £000	2008 £000	Change %
Turnover	56,523	67,709	(17%)
Administrative expenses	(49,926)	(55,202)	(10%)
Net assets	81,276	76,627	6%

The market volatility and decline in market levels experienced in the second half of 2008 continued into early 2009. Despite the continuing difficult market conditions, the Company continued to support and attract new investors. The Company's revenues are driven mainly from the value of assets managed and thus are impacted by stock market conditions.

In the 2008 directors' report it was commented that there were client losses in the second half of 2008 and the full year impact of these losses was reflected in the 2009 results. The full year impact of 2008 client losses, together with the impact of further 2009 client losses and a significant decline in market levels in the first half of 2009 has led to a decrease in management fee revenues and turnover year-on-year. Whilst turnover has decreased £11.2m (17%) in 2009, the impact on operating profit has been partially mitigated by a £5.3m (10%) reduction in administrative expenses, in the main relating to reduced staff numbers and costs.

Profit on ordinary activities before taxation includes interest receivable and foreign exchange gains and losses not included in operating profit. Year-on-year revenue from these sources has declined £5.5m, reflecting an average 3.8% per annum decline in monthly interest rates in respect of interest receivable, and foreign exchange losses due to some intercompany exposure to US \$ and Japanese Yen and the weakening of sterling against these currencies.

BNY Mellon Asset Management International Limited

Directors' report - continued

Net assets increased by 6% during the year, predominantly due to the current year profit, offset by dividends paid

Future developments

During 2009, the Company will continue to develop and launch new products and services to clients and leverage off the additional fund management capabilities within the BNY Mellon group

Risk management process

The Company is a BIPRU limited licence firm and is regulated by the FSA. Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis. At 31 December 2009, surplus regulatory capital, as reflected within the Company's regulatory returns, amounted to £62,276,000 (2008 £52,960,000)

Governance and policies

Policies and procedures are in place to govern and manage the business, which are common to all BNY Mellon entities. 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 carried out through a regular meeting of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as assisting the risk management framework.

Key BNY Mellon group 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 Group committees include

- 1 Asset Liability Management Committee
- 2 Credit Portfolio Management Committee
- 3 Market Risk Committee
- 4 Operational & Technology Risk Committee

There are a number of regional key oversight committees in place to build on the U.S. Corporate Global Risk Management Framework.

- The BNYM EMEA (Europe, Middle East, and Africa) Risk Committee has an oversight responsibility covering the major risk sources (except Liquidity risk), including Compliance of the EMEA region.
- The EMEA Risk Committee has representation from the key risk sources as well as Business Heads. Reports are provided and reviewed covering the risk sources and any issues that need monitoring.
- The EMEA Asset & Liability Committee has oversight responsibility for the balance sheets of the U.S. branches in EMEA as well as local legal entities and its focus is primarily overseeing that Liquidity risk is managed effectively.

In addition, the Company operates its own hierarchy of governance and risk management committees.

BNY Mellon Asset Management International Limited

Directors' report - continued

Risk management process

The lines of business are responsible for actively identifying their risks associated with key business processes, 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 is to prevent or minimise

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

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

The level of residual operational risk is managed by rigorous operating policies, procedures and controls

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

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. This risk is mitigated through senior management culture, training, integration of compliance policies and controls into business processes and independent compliance monitoring and oversight

Pillar 3 risk disclosures

Basel II Pillar 3 disclosures about the Company (capital and risk management) are covered by the Mellon International Holdings S à r l group disclosures which can be found on the Group website (<http://www.bnymellon.com/investorrelations/filings/index.html>)

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 (there were no appointments or resignations during the year)

G A Brisk
J M Little
A Mearns
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.

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



G A Brisk
Director

BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA
27 April 2010

Registered number 1118580

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)

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 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 2009 set out on pages 9 to 21. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 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.

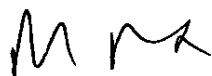
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

8 Salisbury Square
London
EC4Y 8BB

27 April 2010

BNY Mellon Asset Management International Limited

Profit and loss account for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	2	56,523	67,709
Administrative expenses		(49,926)	(55,202)
Operating profit		<u>6,597</u>	<u>12,507</u>
Interest receivable and similar income	7	348	4,570
Interest payable and similar charges	8	(1,198)	-
Profit on ordinary activities before taxation		<u>5,747</u>	<u>17,077</u>
Tax on profit on ordinary activities	9	(2,039)	(5,486)
Profit for the financial year		<u>3,708</u>	<u>11,591</u>

Notes 1 to 21 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

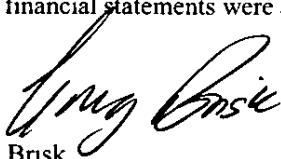
BNY Mellon Asset Management International Limited

Balance sheet at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	10	435	55
Investments	11	1,228	-
		<u>1,663</u>	<u>55</u>
Current assets			
Cash at bank and in hand	12	79,715	47,692
Debtors	13	18,162	56,669
Other assets	14	863	-
		<u>98,740</u>	<u>104,361</u>
Creditors amounts falling due within one year	15	(19,127)	(27,789)
Net current asset		<u>79,613</u>	<u>76,572</u>
Net assets		<u>81,276</u>	<u>76,627</u>
Capital and reserves			
Called up share capital	16	31,300	31,300
Profit and loss account	17	47,966	45,258
Equity capital contribution	17	2,010	69
Shareholders' funds	17	<u>81,276</u>	<u>76,627</u>

Notes 1 to 21 are integral to these financial statements

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


G A Brisk
Director
27 April 2010

BNY Mellon Asset Management International Limited

Notes to the financial statements At 31 December 2009

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, except as noted below

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

- The amendment to Financial Reporting Standard ("FRS") 8 Related parties' disclosures (mandatory for periods beginning on/after 6 April 2008)
- The amendment to FRS 21 Events after the balance sheet date (mandatory for periods starting on/after 1 January 2009)
- The amendment to FRS 20 (IFRS 2) Vesting conditions and cancellations (mandatory for periods starting on/after 1 January 2009)

The following amendments to standards are not yet effective, and are not expected to have a material impact on these financial statements

- Amendment to FRS 25 Financial Instruments Presentation (mandatory for periods starting on/after 1 January 2010)
- Amendment to FRS 20 (IFRS 2) Group cash-settled share-based payments (mandatory for periods starting on/after 1 January 2010)

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. 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 indirect wholly owned 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 wholly owned subsidiaries which form part of the group.

Cash flow statement

The Company was a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, for the year ended 31 December 2009, 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 Directors' Report on page 3. In addition, the Directors' Report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued **At 31 December 2009**

1. Accounting policies - continued

Going concern - continued

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, 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 12 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.

Turnover

Turnover, which is stated net of value added tax, comprises management fees, performance fees and commission receivable, net of commission payable, for selling fellow subsidiary company products globally (excluding the USA), and is accrued over the period for which these services are provided.

Revenue is recorded 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 that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that 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 a market that is not geographically segmented.

Interest, fees and commission

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

Share based payments

The cost of share based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis 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. Share based payments are equity settled.

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.

Where an award has been modified, as a minimum the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the remaining vesting period.

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued At 31 December 2009

1. Accounting policies - continued

Post retirement benefits

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 assets of the schemes are held separately from those of the company.

Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. 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.

Tangible fixed assets and depreciation

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	-	4 years

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.

Investments in subsidiary undertakings

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

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 carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued

At 31 December 2009

1. Accounting policies - continued

Derivative financial instruments - continued

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to 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

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 fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined

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

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued At 31 December 2009

2. Analysis of turnover

By activity

	2009 £000	2008 £000
Management fees	11,144	23,092
Net commission receivable	45,282	44,578
Other income	97	39
	<u>56,523</u>	<u>67,709</u>

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2009 £000	2008 £000
Depreciation	78	24
Auditors' remuneration		
Audit of these financial statements pursuant to legislation	23	21
Other services pursuant to such legislation	18	17
	<u>41</u>	<u>38</u>

4. Staff costs

	2009 £000	2008* £000
Salaries and wages	22,064	26,020
Share based payments (refer to note 19)	2,302	1,794
Social security costs	3,100	2,834
Pension costs (refer to note 6)	2,154	2,298
Other staff costs	569	1,092
	<u>30,189</u>	<u>34,038</u>

* Certain prior year numbers have been reclassified to be consistent with current year presentation

The average monthly number of persons employed by the Company during the year was 181 (2008 175), of which 4 were directors (2008 4)

5. Directors' emoluments

	2009 £000	2008 £000
Directors' emoluments	2,117	1,278
Company contributions to money purchase pension schemes	56	51
Company contributions to defined benefit pension schemes	98	62

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued At 31 December 2009

5. Directors' emoluments - continued

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £897,000 (2008 £524,000) and company pension contributions of £56,000 (2008 £51,000) were made to a money purchase scheme on their behalf

	Number of Directors	
	2009	2008
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	1	1
Defined benefit schemes	3	3

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was

3	3
---	---

One director exercised share options in the ultimate parent company, The Bank of New York Mellon Corporation, during the year (2008 one director)

6. Pensions costs

The Company contributes to defined contribution schemes in the United Kingdom. The total pension cost for the Company in respect of the year to 31 December 2009 was £2,154,000 (2008 £2,298,000) (refer to note 4). At the year-end, contributions of £209,424 were payable to the scheme and are included in creditors (2008 £87,000).

The Company participates in a multi-employer defined benefit scheme where the contributions of the group are affected by a surplus or deficit in the scheme. However, the qualified independent actuaries have confirmed that they are unable to identify the share of the underlying assets and liabilities in the scheme that can be allocated to the Company on a consistent and reasonable basis. As allowed by FRS 17, the Company has accounted for the contributions to the scheme as if it were a defined contribution scheme. The defined benefit pension scheme 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. The latest interim actuarial valuation carried out on 31 December 2009 showed a deficit of £15.8 million in the scheme (2008 deficit £24.9 million). The impact of this deficit on the Company is that future contributions to the scheme are likely to be at an increased rate. Contributions to the scheme were determined at the rate of approximately 20.9% of pensionable salaries (2008 20.0%). The rate of future contributions to the fund will be determined once the next actuarial valuation, effective from 1 January 2010, is completed. This is expected no later than 31 March 2011. The scheme was closed to new members effective 30 September 2006.

7. Interest receivable and similar income

	2009 £000	2008 £000
Interest receivable from group undertakings	200	2,713
Net foreign exchange gain	-	1,794
Other	148	63
	<u>348</u>	<u>4,570</u>

8. Interest payable and similar charges

	2009 £000	2008 £000
Net foreign exchange loss	<u>1,198</u>	-

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued At 31 December 2009

9. Taxation

	2009 £000	2008 £000
Taxation is based on profit before tax for the year and comprises		
- Current corporation tax charge for the year at 28.0% (2008: 28.5%)	2,445	5,552
- Adjustments in respect of prior periods		
- UK corporation tax	4	485
- Foreign tax	253	-
Total current tax	2,702	6,037
Deferred tax (refer note 13)	(663)	(551)
	<u>2,039</u>	<u>5,486</u>

The current corporation tax charge for the year is higher than (2008: higher than) the standard rate of tax for the year, for the reasons set out in the following reconciliation

	2009 £000	2008 £000
Profit on ordinary activities before tax	<u>5,747</u>	<u>17,077</u>
Tax charge on profit on ordinary activities at standard rate of 28% (2008: 28.5%)	1,609	4,867
Factors affecting tax charge		
- Disallowable expenses	167	158
- Adjustments in respect of prior periods - UK corporation tax	4	485
- Adjustments in respect of prior periods - Foreign tax	253	-
- Timing difference - deferred compensation	614	423
- Other short term timing differences	55	104
Current corporation tax charge for year	<u>2,702</u>	<u>6,037</u>

10. Tangible fixed assets

	Internally Developed Software £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2009	-	79	79
Additions	458	-	458
At 31 December 2009	<u>458</u>	<u>79</u>	<u>537</u>
Depreciation			
At 1 January 2009	-	(24)	(24)
Charge for the year	(62)	(16)	(78)
At 31 December 2009	<u>(62)</u>	<u>(40)</u>	<u>(102)</u>
Net book value			
At 31 December 2009	<u>396</u>	<u>39</u>	<u>435</u>
At 31 December 2008	<u>-</u>	<u>55</u>	<u>55</u>

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued At 31 December 2009

11. Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 January 2009	-
Additions	1,228
At 31 December 2009	<u>1,228</u>

Additions during the year reflect an investment in a newly incorporated entity, BNY Mellon Asset Management Korea Limited, in December 2009. The principal activity of this subsidiary will be to market, sell and distribute the investment management capabilities of fellow BNY Mellon investment management subsidiaries. This subsidiary is incorporated in Korea, is 100% owned and has a share capital of 2.3b Korean Won (consisting of 230,000 ordinary shares at KRW 10,000 per share).

12. Cash at bank and in hand

	2009 £000	2008 £000
Cash at bank	<u>79,715</u>	<u>47,692</u>

Cash at bank included £76,409,000 (2008: £43,943,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon group.

13. Debtors

	2009 £000	2008 £000
Prepayments and accrued income	2,638	3,487
Trade debtors	1,367	17,801
Due from fellow Group undertakings	11,676	33,956
Other debtors	792	399
Deferred tax assets (refer below)	1,689	1,026
	<u>18,162</u>	<u>56,669</u>

Deferred tax is made up of the following

	2009 £000	2008 £000
At 1 January	1,026	475
Profit and loss credit (refer note 9)	663	551
At 31 December	<u>1,689</u>	<u>1,026</u>

Deferred tax has been recognised in full. The major components of deferred tax are as follows

	2009 £000	2008 £000
Excess of depreciation over capital allowances	96	112
Long term incentive plans	1,535	890
Other	58	24
	<u>1,689</u>	<u>1,026</u>

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued

At 31 December 2009

14. Other assets

	Projects in progress £000
Cost	
At 1 January 2009	-
Additions	863
At 31 December 2009	<u>863</u>

Other assets relate to the cost of software development work-in-progress projects. Once development projects are complete, these assets will be recognised as software, within fixed assets.

15. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	707	734
Due to fellow Group undertakings	6,831	13,211
Corporation tax	941	2,147
Other taxation and social security	-	445
Accruals	10,648	11,252
	<u>19,127</u>	<u>27,789</u>

16. Called up share capital

	2009 £000	2008 £000
Allotted, called up and fully paid		
31,300,000 ordinary shares of £1 each (2008 31,300,000)	<u>31,300</u>	<u>31,300</u>

17. Reserves

	Share capital account £000	Equity capital contribution £000	Profit & Loss Account £000	Total £000
2009				
At 1 January	31,300	69	45,258	76,627
Equity capital contribution movement	-	1,941	-	1,941
Profit for the financial year	-	-	3,708	3,708
Interim dividend paid	-	-	(1,000)	(1,000)
At 31 December	<u>31,300</u>	<u>2,010</u>	<u>47,966</u>	<u>81,276</u>

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued

At 31 December 2009

17. Reserves (continued)

	Share capital account £000	Equity capital contribution £000	Profit & loss account £000	Total £000
2008				
At 1 January	26,300	(1,484)	33,667	58,483
New share capital issued	5,000	-	-	5,000
Equity capital contribution movement	-	1,553	-	1,553
Profit for the financial year	-	-	11,591	11,591
At 31 December	31,300	69	45,258	76,627

18. Financial instruments

As at 31 December 2009, the Company had derivative financial instruments as follows a forward foreign exchange contract to buy \$5,000,000 against Sterling on 29 January 2010 at a rate of \$1.6024/£1, and a forward foreign exchange contract to buy Euro 1,000,000 against Sterling on 29 January 2010 at a rate of €1.1111/£1. As at 31 December 2009, when these financial instruments were entered into, the fair value was £nil.

As at 31 December 2008, the Company had derivative financial instruments as follows a forward foreign exchange contract to buy \$21,000,000 against Sterling on 31 January 2009 at a rate of \$1.4680/£1, and a forward foreign exchange contract to sell Euro 1,600,000 against Sterling on 31 January 2009 at a rate of €1.0211/£1. As at 31 December 2008, when these financial instruments were entered into, the fair value was £nil.

19. Share based payments

Restricted share awards

	2009 Number of awards	2008 Number of awards
Balance outstanding at 1 January	298,944	190,324
Staff transfers	(11,081)	-
Awarded during the year	87,096	123,695
Released (vested) in the year	(15,628)	(12,842)
Forfeited / cancelled	(453)	(2,233)
Balance outstanding at 31 December	358,878	298,944

The weighted-average fair value of restricted share awards in 2009 was \$37.89 per share (2008 \$43.24).

During 2009, £2,302,000 was charged to the profit and loss account in respect of restricted share awards settled in equity (2008 £1,794,000).

As at 31 December 2009, £8,418,000 / \$13,599,000 (2008 £4,696,000 / \$6,869,000) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over the weighted average period of approximately 1.1 years (2008 1.8 years).

20. Transactions involving directors, officers and others

At 31 December 2009 there were no loans and other transactions made to directors and officers of the Company (2008 £nil).

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued **At 31 December 2009**

21. Parent company

The immediate parent of the Company 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.

The ultimate parent company as at 31 December 2009 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, New York
10286
USA