BNY Mellon Asset Management International Limited

Directors' report and financial statements

Registered number: 1118580

For the year ended 31 December 2010

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
A Mearns
S J M Spence

Secretary
BNY Mellon Secretaries (UK) Limited
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London
EC4V 4LA

Auditor
KPMG Audit Plc
15 Canada Square
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E14 5GL

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 2010

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 and Zurich Additionally, the Company has a wholly owned subsidiary in Korea, BNY Mellon Asset Management Korea Limited During July 2010, the Company made a capital contribution of RMB 98,000,000 (£9,383,000) into BNY Mellon Western Fund Management Company Limited, a company incorporated in China BNY Mellon Western Fund Management Company Limited is a joint venture between the Company and Western Fund Management Company Limited, of which the company owns a 49% interest

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 £11,211,000 (2009 £3,708,000)

Interim dividends paid during the year amounted to £2,500,000 (2009 £1,000,000) The directors recommended a £6,000,000 final dividend for the year ended 31 December 2010, which was approved and paid in January 2011 (2009 £5,000,000)

Business review

The Company's revenues are driven mainly from the value of assets managed and thus are impacted by stock market conditions Effective 1 January 2010, responsibility for revenue generated from the defined contribution pooled funds business was transferred from the Company to Newton Investment Management Limited This business represented funds under management of approximately £5 billion and profit before tax of approximately £7 5 million After adjusting for this transfer, the Company's profit for the 2010 financial year increased from £3 7m to £11 2m, reflecting higher sales of BNY Mellon products and growth in assets under management of the Bank of New York group

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

	2010 £000	2009 £000	Change %
Turnover	70,774	56,523	25%
Administrative expenses	(58,225)	(49,926)	17%
Net assets	86,878	81,276	7%

Directors' report - continued

Business review – continued

Administrative expenses increased 17% during the year, predominantly reflecting higher sales related remuneration

Profit on ordinary activities before taxation includes interest receivable, interest payable and foreign exchanges gains and losses not included in operating profit Year-on-year revenue from these sources increased £0 9m, reflecting lower foreign exchange losses on USD and Japanese Yen intercompany exposures.

Turnover for the year has been adversely impacted by a £2,514,000 provision raised in BNY Mellon Fund Managers Limited, a group entity that passes its residual profit to the Company This provision was recognised in respect of an interim levy raised by the Financial Services Compensation Scheme (FSCS), the UK's compensation fund of last resort for customers of authorised financial services firms, in respect of the Keydata Investment Services Limited failure FSCS levies are borne first by the member class that caused the loss event that a levy is intended to compensate The primarily-liable FSCS members in respect of the events that gave rise to the interim levy were the financial intermediary subclass, no blame has been accorded to the investment management subclass of which BNY Mellon Fund Managers Limited is a member However, as the interim levy was in excess of the annual limit that can be borne by financial intermediaries, the investment management subclass also has been levied

Net assets increased by 7% during the year, predominantly due to the current year profit, offset by dividends paid

Future developments

During 2011, 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

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 2010, surplus regulatory capital, as reflected within the Company's regulatory returns, amounted to £46,868,000 (2009 £62,276,000). Whilst the Company remains highly capitalised, the year-on-year surplus regulatory capital reduction reflects dividends paid during the year and also an additional capital deduction incurred in relation to the Company's 2010 joint venture investment in BNY Mellon Western Fund Management Company Limited

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

BNY Mellon Asset Management International Limited

Directors' report – continued

Governance and policies - continued

The key committees include

- 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 The committee's remit extends to other companies within the BNY Mellon Asset Management International business

- 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 The committee's remit extends to other companies within the BNY Mellon Asset Management International business

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

- The EMEA (Europe, Middle East, and Africa) Senior Risk Management Committee has an oversight responsibility covering the major risk sources (except Liquidity risk), including Compliance of the EMEA region The BNYM 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 Risk & Compliance 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

Risk management process

The BNY Mellon businesses are responsible for actively identifying their risks associated with 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 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 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

From September 2010, risks of the Company, have been measured, reported and monitored quarterly as part of the risk management framework which have been adopted by the Company The reporting measures risk and capital against their regulatory capital requirements as well as monitoring Pillar 2 risk assessments, the internal capital adequacy processes (ICAAP) and liquidity assessments

BNY Mellon Asset Management International Limited

Directors' report - continued

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)

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

BNY Mellon Asset Management International Limited

Directors' report – continued

Employees - continued

The Company adopts a total rewards and pay for performance remuneration philosophy Any remuneration elements awarded in respect of bonus and long-term incentives are discretionary based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results All employees have the opportunity to purchase stock through the group's Employee Stock Purchase Plan and the key business drivers 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

Directors

The directors who served during the year and up to the date of the report were as follows (there were no appointments during the year)

	Resignation
G A Brisk	-
J M Little	30 July 2010
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 (2009 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

BNY Mellon Asset Management International Limited

Directors' report – continued

Auditor

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

By order of the Board

Greg Brisk

G A Brisk
Director

BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA
21 April 2011

Registered number 1118580

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 director's 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 auditor's 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 2010 set out on pages 11 to 24 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 9, 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 APB's web-site at www frc org uk/apb/scope/private cfm

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 2010 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

15 Canada Square
London
E14 5GL

21 April 2011

BNY Mellon Asset Management International Limited

Profit and loss account
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	70,774	56,523
Administrative expenses		(58,225)	(49,926)
Operating profit		12,549	6,597
Interest receivable and similar income	7	236	348
Interest payable and similar charges	8	(161)	(1,198)
Profit on ordinary activities before taxation		12,624	5,747
Taxation on profit on ordinary activities	9	(1,413)	(2,039)
Profit for the financial year		11,211	3,708

Notes 1 to 22 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 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	10	634	435
Investments	11	10,611	1,228
		11,245	1,663
Current assets			
Other assets	12	1,262	863
Debtors	13	21,678	18,162
Investments	14	434	-
Cash at bank and in hand	15	78,996	79,715
		102,370	98,740
Creditors amounts falling due within one year	16	(26,737)	(19,127)
Net current assets		75,633	79,613
Net assets		86,878	81,276
Capital and reserves			
Called up share capital	17	31,300	31,300
Equity capital contribution	18	3,901	2,010
Profit and loss account	18	51,677	47,966
Shareholders' funds	18	86,878	81,276

Notes 1 to 22 are integral to these financial statements.

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

Greg Brisk

G A Brisk
Director
21 April 2011

BNY Mellon Asset Management International Limited

Notes to the financial statements
at 31 December 2010

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 FRS 20 (IFRS 2) Group cash-settled share-based payments (mandatory for periods starting on/after 1 January 2010)

- Improvements to FRSs (mandatory for periods starting on/after 1 January 2010) including amendment to FRS 11 requiring disclosure of key assumptions used in determining value in use or net realisable value of an asset or IGU in an impairment loss calculation

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

- The amendment to FRS 25 Financial Instruments Presentation (mandatory for periods starting on/after 1 February 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 s228A 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 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 is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, 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

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 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

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 Turnover is accounted for on an accruals basis

Management fees are fees paid for the management of investment portfolios These are recognised as services 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 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

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 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

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

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

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 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

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

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

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued
at 31 December 2010

1. Accounting policies - continued

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

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

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

2. Analysis of turnover

By activity

	2010 £000	2009 £000
Management fees	23,604	11,144
Net commission receivable	47,045	45,282
Other income	125	97
	70,774	56,523

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2010 £000	2009 £000
Depreciation of tangible fixed assets	236	78
Auditor's remuneration		
Audit of these financial statements pursuant to legislation	27	23
Other services pursuant to such legislation	21	18
	48	41

4. Staff costs

	2010 £000	2009 £000
Salaries and wages	27,522	22,064
Share based payments (refer to note 20)	1,750	2,302
Social security costs	3,813	3,100
Pension costs (refer to note 6)	1,985	2,154
Other staff costs	660	569
	35,730	30,189

The average monthly number of persons employed by the Company during the year was 178 (2009 181), of which 4 were directors (2009 4)

5. Directors' emoluments

	2010 £000	2009 £000
Directors' emoluments	2,823	2,117
Company contributions to money purchase pension schemes	97	56
Company contributions to defined benefit pension schemes	119	98

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £1,369,000 (2009 £897,000) and company pension contributions of £97,000 (2009 £56,000) were made to a money purchase scheme on his behalf

5. Directors' emoluments - continued

	Number of Directors	
	2010	**2009**
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	1	1
Defined benefit schemes	2	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 (2009 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 2010 was £1,985,000 (2009 £2,154,000) (refer to note 4) At the year-end, contributions of £25,000 were payable to the scheme and are included in creditors (2009 £209,000)

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 2010 showed a deficit of £6 2 million in the scheme (2009 deficit £15 8 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 (2009 20 9%) The rate of future contributions to the fund will be determined once the next actuarial valuation, effective from 1 January 2011, 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

	2010	**2009**
	£000	**£000**
Interest receivable from group undertakings	213	200
Receivable from short-term deposits	23	148
	236	348

8. Interest payable and similar charges

	2010	**2009**
	£000	**£000**
Net foreign exchange loss	161	1,198

9. Taxation

Analysis of charge in the period	2010 £000	2009 £000
Taxation is based on profit before tax for the year and comprises		
- Current corporation tax charge for the year at 28 0% (2009 28 0%)	2,164	2,445
- Current foreign tax on income for the year	106	-
- Double taxation relief	(101)	-
- Adjustments in respect of prior periods		
- UK corporation tax	(109)	4
- Foreign tax	(92)	253
Total current tax	1,968	2,702
Deferred tax (refer note 13)		
- Origination and reversal of timing differences	(666)	(663)
- Effect of change in corporation tax rate	83	-
- Prior period adjustments – Deferred tax	28	-
Total deferred tax	(555)	(663)
Taxation on profit on ordinary activities	1,413	2,039

Factors affecting the tax charge for the current period

The current corporation tax charge for the year is lower (2009 higher) than the standard rate of tax for the year, for the reasons set out in the following reconciliation

	2010 £000	2009 £000
Profit on ordinary activities before tax	12,624	5,747
Tax charge on profit on ordinary activities at standard rate of 28 0% (2009: 28 0%)	3,535	1,609
Factors affecting tax charge		
- Expenses not deductible for tax purposes	200	167
- Foreign taxes	5	-
- Adjustments in respect of prior periods - UK corporation tax	(109)	4
- Adjustments in respect of prior periods - Foreign tax	(92)	253
- Timing difference - deferred compensation	691	614
- Other short term timing differences	(38)	55
- Losses surrendered	(2,224)	-
Current corporation tax charge for year	1,968	2,702

Factors that may affect future current and total tax charges

It was originally announced that the UK corporate income tax rate would be reduced from 28% to 27% with effect from 1 April 2011 In the 2011 budget on 23 March 2011 the UK government announced its intention to reduce the UK rate of corporate income tax from 28% to 26% with effect from 1 April 2011 with further reductions of 1% in each year until the standard rate will be 23% in 2014 The effect of the change in rate from 27% to 26% would create an additional reduction in the deferred tax asset of approximately £83,000 However, this has not been reflected in the deferred tax asset figure above as at 31 December 2010 this further rate reduction to 26% had not been substantively enacted

Notes to the financial statements - continued
at 31 December 2010

10. Tangible fixed assets

	Internally Developed Software £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2010	458	79	537
Transferred from other assets (refer note 12)	435	-	435
At 31 December 2010	893	79	972
Depreciation:			
At 1 January 2010	(62)	(40)	(102)
Charge for the year	(220)	(16)	(236)
At 31 December 2010	(282)	(56)	(338)
Net book value			
At 31 December 2010	611	23	634
At 31 December 2009	396	39	435

11. Fixed asset investments

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost			
At 1 January 2010	1,228	-	1,228
Additions	-	9,383	9,383
At 31 December 2010	1,228	9,383	10,611

Additions during the year reflected a 49% joint venture investment in a newly incorporated entity, BNY Mellon Western Fund Management Company Limited, in July 2010 The principal activity of this joint venture investment is investment management

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
Subsidiary undertaking			
BNY Mellon Asset Management Korea Limited	Korea	Market, sell and distribute the investment management capabilities of fellow BNY Mellon subsidiaries	Ordinary 100%
Joint ventures			
BNY Mellon Western Fund Management Company Limited	China	Investment management	Ordinary 49%

Management have conducted an impairment review of the carrying value of the investments based on the net asset values of the subsidiary and joint venture and have concluded that no impairment exists at the balance sheet date

Notes to the financial statements - continued
at 31 December 2010

12. Other assets

	Projects in progress £000
Cost	
At 1 January 2010	863
Additions	1,164
Complete projects – transferred to fixed assets (refer note 10)	(435)
Complete projects – transferred to fellow group companies	(330)
At 31 December 2010	1,262

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

13. Debtors

	2010 £000	2009 £000
Trade debtors	424	1,367
Due from fellow Group undertakings	9,633	11,676
Other debtors	512	792
Deferred tax assets (refer below)	2,244	1,689
Prepayments and accrued income	8,865	2,638
	21,678	18,162

Deferred tax is made up of the following

	2010 £000	2009 £000
At 1 January	1,689	1,026
Profit and loss credit (refer note 9)	555	663
At 31 December	2,244	1,689

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

	2010 £000	2009 £000
Excess of depreciation over capital allowances	94	96
Long term incentive plans	2,144	1,535
Other	6	58
	2,244	1,689

14. Investments

	2010 £000	2009 £000
Units held	434	-

Investments represent units held in a quoted unit trust managed by the Company

Notes to the financial statements - continued
at 31 December 2010

15. Cash at bank and in hand

	2010 £000	2009 £000
Cash at bank	78,996	79,715

Cash at bank included £49,615,000 (2009 £76,409,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon group

16. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	997	707
Due to fellow Group undertakings	14,236	6,831
Corporation tax	269	941
Accruals	11,235	10,648
	26,737	19,127

17. Called up share capital

	2010 £000	2009 £000
Allotted, called up and fully paid		
31,300,000 ordinary shares of £1 each (2009 31,300,000)	31,300	31,300

18. Reserves

2010	Share capital account £000	Profit & loss account £000	Equity capital contribution £000	Total £000
At 1 January	31,300	47,966	2,010	81,276
Equity capital contribution movement	-	-	1,891	1,891
Profit for the financial year	-	11,211	-	11,211
Final 2009 dividend paid	-	(5,000)	-	(5,000)
Interim 2010 dividend paid	-	(2,500)	-	(2,500)
At 31 December	31,300	51,677	3,901	86,878

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

19. Financial instruments

As at 31 December 2010, the Company had derivative financial instruments as follows a forward foreign exchange contract to buy $3,000,000 against Sterling on 31 January 2011 at a rate of $1 5515/ £1, and a forward foreign exchange contract to buy Euro 2,000,000 against Sterling on 31 January 2011 at a rate of €0 8532/£1 As at 31 December 2010, when these financial instruments where entered into, the fair value was £nil

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 where entered into, the fair value was £nil

20. Share based payments

Restricted share awards

	2010 Number of awards	2009 Number of awards
Balance outstanding at 1 January	358,878	298,944
Staff transfers	(15,327)	(11,081)
Awarded during the year	152,870	87,096
Released (vested) in the year	(158,574)	(15,628)
Forfeited / cancelled	(55,277)	(453)
Balance outstanding at 31 December	282,570	358,878

The weighted-average fair value of restricted share awards in 2010 was $30 66 (2009 $37 89)

During 2010, £1,750,000 was charged to the profit and loss account in respect of restricted share awards settled in equity (2009 £2,302,000)

As at 31 December 2010, £5,574,000 / $8,664,000 (2009 £8,418,000 / $13,599,000) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over the weighted average period of approximately 1 3 years (2009· 1 1 years)

21. Transactions involving directors and officers

At 31 December 2010 there were no loans and other transactions made to directors and officers of the Company (2009 £nil)

BNY Mellon Asset Management International Limited

Notes to the financial statements - continued
at 31 December 2010

22. 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 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 2010 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