

BNY Mellon Investment Management EMEA Limited

Strategic report, Directors' report and financial statements

Registered number 1118580

31 December 2019



BNY Mellon Investment Management EMEA Limited

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BNY Mellon Investment Management EMEA Limited

Board of Directors and other information

Directors

G A Brisk (Chair)

A M Islam

M Oomen

G Rehn

M Saluzzi (Non-Executive Director)

G Towers (Non-Executive Director)

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG LLP

Chartered Accountants

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

Strategic report

In accordance with Section 414A(1) of the Companies Act 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 Company and key performance indicators.

The ultimate parent company is The Bank of New York Mellon Corporation ("BNY Mellon" or "Group").

Business review

The Company has continued to operate profitably during the year.

On 1 May 2019 the Company transferred the distribution business of its existing branch and representative offices to new branches of BNY Mellon Fund Management (Luxembourg) S.A., its subsidiary undertaking, in exchange for shares.

Financial key performance indicators

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

	2019 £000	2018 £000	Change £000	Change %
Revenue	78,875	90,602	(11,727)	(13)%
Administrative expenses	72,844	73,725	(881)	(1)%
Profit before taxation	6,513	34,289	(27,776)	(81)%
Net assets	136,461	129,203	7,258	6%

The Company's revenues are driven mainly from the value of assets under management (AUM) and thus are impacted by stock market conditions and the sale of BNY Mellon products.

Global equity markets demonstrated a strong performance during 2019. However the Company's revenue went down by £11,727,000 (13%) during the year mainly due to decrease in segregated management fees of £2,714,000 and in revenue allocation from BNY Mellon Fund Managers Limited and BNY Mellon Global Management Limited and other Group companies of £17,343,000. This was caused by net outflows and the business restructuring relating to the transfer of the distribution business to BNY Mellon Fund Management (Luxembourg) S.A. From 1 May 2019 fees generated by distribution channels in the European Union excluding the UK ("EU-27") are credited to BNY Mellon Fund Management (Luxembourg) S.A. This was partially offset by an increase in other revenue of £8,330,000 relating to the provision of distribution support services to BNY Mellon Fund Management (Luxembourg) S.A.

Administrative expenses decreased by £881,000 (1%) during the year due to lower staff costs as a result of the branch headcount transfer to BNY Mellon Fund Management (Luxembourg) S.A., offset by an increase in marketing expenses.

Profit before taxation decreased by £27,776,000 (81%) due to lower revenue and no dividend received in 2019 (2018: £17,000,000).

Net assets increased by £7,258,000 (6%) during the year, predominantly reflecting the current year profit after tax.

As part of the business restructuring the Company made a cash capital injection into its wholly owned subsidiary, BNY Mellon Fund Management (Luxembourg) S.A. of £15,176,000 in exchange for shares in February 2019. There was a further capital injection of £1,030,000 related to the transfer of its branch and representative offices in exchange for shares in May 2019. This provided working capital and compensation relating to the transfer of certain liabilities.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 6 to 11.

Directors' duty

Under Section 414 of the 2006 Companies Act (the "Act") the Company is required to include a Section 172 statement, describing how it has had regard to those matters set out in Section 172 of the Act during the period in question. In addressing these matters, we would like to expand on the following:

BNY Mellon Investment Management EMEA Limited

Strategic report - continued

The Business Relationships with Suppliers, Customers and Others

The Board of IM EMEA fully recognises the importance of balancing the interests of internal and external stakeholders: clients, employees, industry groups, regulators, its shareholder and vendors. As such, the Board's composition, and the supporting governance structure it has put in place, is designed to ensure that decisions of the Board are taken after consideration of their impact on the Company's stakeholder groups.

During 2019 the Board received updates and held discussions on the following:

- Client activity and revenue impact (wins, mandates, pipeline and business at risk).
- Products, including reporting on the successes and challenges faced within each product sector in the market environment and the development plans for new product franchises to promote innovation and respond to client demands.
- Transition to a new business operating model to support European distribution in the changing political landscape, resulting in the transfer of the Dublin domiciled fund range to be managed and distributed by the BNY Mellon Fund Management (Luxembourg) SA, a wholly owned subsidiary of the Company.
- Preparations, contingency planning and impact assessments to ensure a smooth post-Brexit transition for customers domiciled in the EU/EEA, acknowledging the need for a flexible and agile response to client and market demands and preserve the Company's licence to operate.
- The re-brand initiative that was successfully launched across Investment Management during the year and more specifically, the global fund re-naming across the UK fund range with the aim to simplify consistent brand identification and transparency for investors.
- The Client Experience initiative with the aim to define areas for overall improvement to our client service proposition to achieve 'best in class' and differentiate BNY Mellon from its peers.

The Board acknowledged the importance of adherence to new UK Payments Reporting legislation to support timely payment of invoices to third parties and approved a new business acceptance process to ensure clarity around the parameters and process for progressing new business opportunities.

Impact on the Community and Environment

BNY Mellon earned a position on the Climate Change 'A List' for the seventh consecutive year, being recognised for cutting emissions, mitigating climate risks and developing the low carbon economy, all of which are fully endorsed by IM EMEA.

The Board acknowledges, and is fully supportive, of the need to proactively support environmental and social awareness, to make a positive impact to climate change and support and invest in community partnerships. Company funded incentives encourage employee participation to give back and this is supported via a formalised community partnership programme.

In acknowledgement that the growing trend for sustainability extends to sustainable investing, Environmental, Social and Governance has been a priority focus in respect of new fund launches and product development.

Employees

The Board promotes a high performance culture by managing talent, strengthening employee engagement and ensuring effective employee communications.

Employees' activities are performed in accordance with applicable process and procedures and where issues arise from liaisons with clients, market practice, regulators or vendors that require senior level consideration, they are addressed through the escalation mechanisms that are built into the robust, Board approved governance framework.

BNY Mellon Investment Management EMEA Limited

Strategic report - continued

High Standards of Business Conduct

The Company is regulated by The Financial Conduct Authority (the “FCA”) and operates within the rules of the FCA and the restrictions as defined within its regulatory licence.

The Company has a defined governance committee structure and the independence of committee members is acknowledged, along with the reservation of their rights to escalate matters of regulatory interest to the Board.

As a Group company of BNY Mellon, the Board acknowledges the benefits for all of its stakeholders in aligning with and leveraging numerous group policies and provision around such matters including employee support and wellbeing, cyber security and data governance and operational resilience to name just a few.

The Board recognises the importance of risk management in the execution of its strategy and the Board has defined levels of risk acceptable to the Company. This is formalised and monitored through a Risk Appetite Statement. More detail on the risk management framework is outlined in the Directors’ report.

Regular updates in respect of compliance, risk management, financial crime and regulatory priorities are provided to the Board, incorporating regulatory change or changes in market practice.

Throughout the year, a specific area of focus for the Board has been the implementation of the Senior Manager and Certification Regime, to ensure the business impact is well understood, and compliance achieved in line with the effectiveness date of 9 December 2019.

Acting fairly between members of the Company

IM EMEA is a wholly owned subsidiary governed by its local Board, which acts in accordance with the objectives of the BNY Mellon Corporation. It maintains an open relationship with BNY Mellon where ideas and strategic objectives are exchanged and shared, ensuring the Board members remain aligned with BNY Mellon’s strategic objectives. The IM EMEA Board is fully committed to ensuring due regard to the interest of other stakeholders as described above.

Coronavirus (“COVID-19”)

As a result of the COVID-19 outbreak, there has been global uncertainty on the likely impact of the pandemic on Companies, government policies, financial markets, among others. The Company has performed an impact assessment on the specific risks it could be exposed to as a result. This has been explained within the ‘*Risk Management*’ section of the Director’s report on page 9.

Business and future developments

The UK formally left the European Union (“EU”) on 31 January 2020 and has ceased to be a member state. The departure will lead to a transition period, lasting until the end of 2020, which effectively keeps the UK in the EU from the perspective of companies and individuals and their respective rights and obligations.

The UK’s withdrawal from the European Union (“Brexit”) is expected to have a limited impact on the Company than it may have on some of its financial services industry peers. The Company’s European branches and representative offices were moved to an established subsidiary of the Company - BNY Mellon Fund Management (Luxembourg) S.A. in May 2019 as noted in Strategic report “Business review” section, in order to ensure the smooth post-Brexit transition for customers domiciled in the EU/EEA. The 2019 impact of the migration on the Company’s financial results have been disclosed in the Strategic report.

As part of the BNY Mellon Brexit Programme, the Company continues to monitor the UK’s withdrawal from the European Union and is proactively engaging with clients on their key concerns and considerations. The programme’s analysis and planning has taken into account a range of potential economic scenarios and impact on the Company’s operating model, aligned with regulatory and supervisory guidance which has been communicated industry-wide. No significant impact is expected on the Company’s business activities.

Specific risks to the Company’s business include the impact of potential regulatory changes and retention of AUM by the Company. By working closely with regulators, and establishing a full Communications and Client Engagement work stream as part of the wider BNY Mellon Brexit programme, a proactive approach has been taken to mitigate these risks wherever possible, and to support clients with their post-Brexit transition.

BNY Mellon Investment Management EMEA Limited

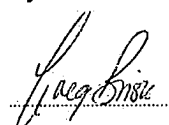
Strategic report - continued

Other risks due to the implications of Brexit include the ability to recruit and retain qualified employees due to the impact on the freedom of movement of labour from the EU, potential changes to the legal framework in which the Company operates and the impact of potential adverse movements in financial market values on the Company's financial performance and liquidity. Liquidity of all Sub-Funds is constantly reviewed to ensure portfolios are being managed in line with the redemption terms offered.

As the Brexit transition progresses, BNY Mellon's Brexit Programme continues to monitor new developments and any regulatory implications that may impact the Company's services.

Approval

By order of the Board

A handwritten signature in black ink, appearing to read 'G A Brisk', written over a dotted line.

G A Brisk
Director

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

21 April 2020

Registered number: 1118580

BNY Mellon Investment Management EMEA Limited

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activities of the Company are to market, sell and distribute the investment management capabilities, products and services manufactured by the BNY Mellon Investment Management subsidiaries, including collective investment schemes, both Undertakings for Collective Investment in Transferable Securities ('UCITS') and Alternative Investment Funds ('AIFs'), and separately-managed accounts to institutional investors, financial intermediaries and to a limited extent to retail clients. In its role as an investment manager, the Company typically delegates portfolio management functions to Group investment management subsidiaries, though retains certain portfolio management functions to a very limited extent in respect of specific mandates.

The Company is headquartered in London and has operations through affiliated companies in Dubai, Santiago and Zurich.

Results and dividends

The profit for the year after taxation amounted to £4,955,000 (2018: £31,635,000).

Interim dividends paid during the year amounted to £nil (2018: £92,000,000). The Directors do not recommend a final dividend for the year ended 31 December 2019 (2018: £nil).

Future developments:

See 'Business and future developments' section in Strategic report for details.

Political donations

The Company made no political donations or incurred any political expenditure during the year.

Risk management

The Company is a Banks, building societies and investment firms Prudential sourcebook ("BIPRU") limited license company and is regulated by the Financial Conduct Authority ("FCA"). Capital and other financial returns are prepared and submitted to the regulator on a semi-annual basis. At 31 December 2019, surplus regulatory capital as reflected within the Company's regulatory returns amounted to £38,866,000 (2018: £29,408,000).

Governance and policies

Formal governance structures, policies and procedures, systems and controls have been established to ensure that the business operates within the risk framework and parameters determined by senior management. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management oversight is directed to relevant business activities.

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 company as part of the risk framework.

Formal governance committees are in place to oversee the design, development and execution of the risk management program to ensure adequate and effective risk management oversight and business 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 Group governance and / or operating committees.

BNY Mellon Investment Management EMEA Limited

Directors' report

Risk management - continued

Governance and policies - continued

The key committees established by the Board are:

- **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.
- **IM EMEA Risk and Compliance Committee:** The Risk and Compliance Committee which generally meets on a monthly basis, is chaired by the Head of International Product & Fund Governance and attended by senior business representatives, including members of the IM EMEA Executive Operating Committee and also representatives from Risk, Compliance, Legal and Internal Audit. The Committee receives a report from these control functions on current issues and activities.
- **IM EMEA Remuneration Committee:** The Remuneration Committee has the delegated authority to consider recommendations and approve terms, conditions, remuneration and incentives for staff employed within IM EMEA and the legal entities within the wider IM EMEA group. Membership of this Committee consists of two Non-Executive Directors and the Global Head of Distribution.

There are a number of key oversight committees in place as part of the Group Global Risk Management Framework. The Group Investment Management Risk Committee, which has an oversight responsibility covering the major risk sources, is the most senior committee. The Group Investment Management Risk Committee is made up of senior Investment Management business managers and risk and compliance officers. Reports are provided and reviewed covering the risk sources and any issues that need monitoring.

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 Group Operational Risk Platform to achieve the above. The platform is used to maintain risk and control self-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 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 associated with the Company's operations are measured through production and assessment of key risk indicators and other analysis, the results of which are formally reported to the Risk and Compliance Committee on a monthly basis as part of the risk management framework which has been adopted. This includes an analysis of the Company's financial resources against the applicable regulatory capital requirements and liquidity risk management framework.

BNY Mellon Investment Management EMEA Limited

Directors' report

Risk management process - continued

Credit risk

Credit risk covers default risk from counterparties where realisation of the value of the asset is dependent on counterparties' ability to perform. Assets subject to credit risk held by the Company are primarily comprised of deposits with external banks, Group undertakings and receivables from clients which are subject to oversight both within the BNY Mellon Group and on a legal-entity specific basis by the central Finance function and by the senior management of the Company through reporting provided to the Risk and Compliance Committee and to the Board.

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 and interest rate exposure on cash balances. Foreign exchange balance sheet exposures are actively managed through a monthly spot sell-off process of non-sterling currency balances by the Group Treasury.

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. Operational risk is managed and mitigated through application of the Group's operational risk framework as described above.

Liquidity risk

Liquidity risk is the risk that a company, 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. Liquidity risk is managed and mitigated through application of a common Liquidity Risk Management Framework utilised across the regulated subsidiaries within the UK consolidation group. The Company's liquidity position is monitored by the central finance function and by the senior management of the Company through reporting provided to the Risk and Compliance Committee and to the Board.

Business risk

Business risk includes risk to a company arising from changes in its business, including the risk that the company may not be able to carry out its business plan and its desired strategy. Business and strategic risks, including emerging and external risks, and product performance are monitored in formal governance and management committees and by the Board, supported by appropriate management information supplied by supporting functions.

Compliance risk

Compliance risk covers the risk relating to violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the company and its executors to fines, payment of damages, the voiding of contracts and damaged reputation. The Company has established a compliance programme designed to detect and minimise any risk of failure by the Company to comply with its obligations under the relevant regulations.

Conduct risk

Conduct risk is defined as the risk that detriment is caused to clients, the market, the Company or its employees because of inappropriate execution of our business activities or inappropriate behavior by the Company or its staff. The Company is subject to the Group Conduct Risk Policy and Code of Conduct. It sets out clear expectations of the roles of senior management in setting the appropriate tone and includes examples of good and poor conduct. Employees received periodic training/briefing on conduct related matters and are required to complete an annual process to confirm adherence to the Code of Conduct. Conduct related management information is captured and provided to the Board Risk Committee and reviews of conduct related matters can be included in the scope of Compliance Monitoring and/or Internal Audit assurance reviews.

BNY Mellon Investment Management EMEA Limited

Directors' report

Risk management process - continued

Conduct risk - continued

Other macro environmental risks (including COVID-19)

Subsequent to 31 December 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various governments and institutions around the world responding in different ways to address the outbreak. This has led to an increased level of uncertainty in the financial markets which has triggered volatility in interest rates, foreign exchange rates and equity prices among others. Whereas the quantification of the impact on the Company is uncertain, management has considered the below specific factors that could affect the Company:

- Client activity and volume: The Company could face a potential reduction in client activity driven by a likely risk averse customer behaviour leading to a reduction in new business and funds under management;
- The reduction in client activity could lead to a fall in revenue due to reduction in the AUM;
- Liquidity: The Company continues to closely monitor the impact of market volatility on its balance sheet. The Company currently has sufficient liquidity in excess of its regulatory requirement to absorb any short-term losses. There is also surplus capital in excess of its Individual Capital Guidance ("ICG") requirement.
- Market fluctuations: Due to the uncertainty, the Company is likely to be exposed to volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. Global equity markets is likely to fall which could impact on the Company's revenue.
- Going concern consideration: Management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. This assessment is disclosed in note 1.5 'Going concern' and focuses on the Company's financial and operational resilience to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust balance sheet and sufficient headroom above regulatory capital requirements.

Pillar 3 risk disclosures

CRR 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 (<https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp>).

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 corporate intranet (MySource), e-mail communications, informal and formal employee meetings, 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 Forums at both a local and European level. The Forums build on existing communication channels and provide more formal opportunities for dialogue between management and employees.

BNY Mellon Investment Management EMEA Limited

Directors' report

Employees - continued

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. Employees have the opportunity to purchase stock through the Group's Stock Accumulation Plan.

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 through our diversity and inclusion framework, we empower our people to reach their full potential.

Directors

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

	Appointed	Resigned
G A Brisk	-	-
A M Islam	18 July 2019	-
M Oomen	-	-
G Rehn	10 June 2019	-
A Roughead	-	7 March 2019
M Saluzzi	19 March 2019	-
G Towers	-	-
D M Turnbull	-	30 May 2019

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 (2018: £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.

Post balance sheet events

Subsequent to 31 December 2019, the COVID-19 virus spread into the UK and other countries outside of China. Accordingly, management has considered this to be a non-adjusting post balance sheet event and an analysis of its impact on the Company has been considered within the '*Risk Management*' section.

BNY Mellon Investment Management EMEA Limited

Directors' report

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

A handwritten signature in black ink, appearing to read 'G A Brisk', written over a dotted horizontal line.

G A Brisk
Director

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

21 April 2020

Registered number: 1118580

BNY Mellon Investment Management EMEA Limited

Statement of directors' responsibilities

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), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, including FRS 101, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

Opinion

We have audited the financial statements of BNY Mellon Investment Management EMEA Limited for the year ended 31 December 2019 which comprise of the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101: *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information, which comprises of the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Acts 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.

Alison Allen

**Alison Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants
15 Canada Square
London*

22 April 2020

BNY Mellon Investment Management EMEA Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2019

		2019	2018
	Note	£000	£000
Revenue	2	78,875	90,602
Administrative expenses	3	(72,844)	(73,725)
Operating profit		6,031	16,877
Income from shares in Group undertakings	7	-	17,000
Interest receivable and similar income	8	575	467
Interest payable and similar charges	9	(93)	(55)
Profit before taxation		6,513	34,289
Taxation on profit	10	(1,558)	(2,654)
Total comprehensive income for the financial year		<u>4,955</u>	<u>31,635</u>

Notes 1 to 25 are integral to these financial statements.

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

During the year, there were no items going through other comprehensive income (2018: Nil).

BNY Mellon Investment Management EMEA Limited

Balance sheet at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	11	298	227
Fixed asset investments	12	38,381	22,175
		<u>38,679</u>	<u>22,402</u>
Current assets			
Debtors	13	27,271	24,014
Current asset investments	15	24,369	26,884
Cash at bank and in hand	16	79,061	87,851
		<u>130,701</u>	<u>138,749</u>
Creditors: amounts falling due within one year	17	(32,919)	(31,948)
Net current assets		<u>97,782</u>	<u>106,801</u>
 Total assets less current liabilities		 <u>136,461</u>	 <u>129,203</u>
Net assets		<u>136,461</u>	<u>129,203</u>
 Capital and reserves			
Called up share capital	19	53,129	53,129
Other reserves		26,961	24,658
Profit and loss account		<u>56,371</u>	<u>51,416</u>
Shareholders' funds		<u>136,461</u>	<u>129,203</u>

Notes 1 to 25 are integral to these financial statements.

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



G A Brisk
Director

21 April 2020

Company registered number: 1118580

BNY Mellon Investment Management EMEA Limited

Statement of changes in equity

31 December 2019

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	47,661	22,462	111,781	181,904
Total comprehensive income for the financial year	-	-	31,635	31,635
Issue of shares	5,468	-	-	5,468
Equity-settled share-based payment transactions	-	2,100	-	2,100
Foreign exchange translation movement	-	96	-	96
Dividends	-	-	(92,000)	(92,000)
Balance at 31 December 2018	53,129	24,658	51,416	129,203

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	53,129	24,658	51,416	129,203
Total comprehensive income for the financial year	-	-	4,955	4,955
Equity-settled share-based payment transactions	-	2,623	-	2,623
Foreign exchange translation movement	-	(320)	-	(320)
Balance at 31 December 2019	53,129	26,961	56,371	136,461

Notes 1 to 25 are integral to these financial statements.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company limited by shares incorporated and domiciled in the UK and registered in England and Wales. The registered address is given on page 1.

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation, includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with US Generally Accepted Accounting Principles, which are *equivalent* to International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). The Bank of New York Mellon Corporation's consolidated financial statements are available at [https://www.bnymellon.com/us/en/investor relations/](https://www.bnymellon.com/us/en/investor_relations/). Accordingly the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Accordingly, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of adopted IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Statement of Cash Flow and related notes;
- Comparative period reconciliations for share capital and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of compensation of key management personnel; and
- Disclosures in respect of revenue contracts with customers and significant judgements.

As the consolidated financial statements of The Bank of New York Mellon Corporation include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-Based Payments* in respect of Group settled share-based payments.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.21.

1.2 Change in accounting policy

IFRS 16 leases is a new accounting standard that was effective for the year ended 31 December 2019 and has immaterial impact on the Company. After the branch transfer to BNY Mellon Fund Management (Luxembourg) S.A., there are no longer any operating or finance leases. No further disclosures have been made in the financial statements as a result.

1.3 Exemption from preparation of Group financial statements

As noted in section 1.1 above, the Company's ultimate parent company includes the Company in its consolidated financial statements, which are prepared under a basis equivalent to adopted IFRS. Accordingly, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare Group financial statements. Therefore, these financial statements present information about the Company as an individual undertaking and not about its Group.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.4 Measurement convention

These financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the Statement of profit and loss and other comprehensive income and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.5 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 2 to 5. In addition, the Directors' report on pages 6 to 11 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objective and its exposures to credit and liquidity risk.

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

Due to COVID-19, management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management considered:

- The financial impact of the uncertainty on the Company's balance sheet;
- Stress tests on reasonable plausible scenarios such as significant reduction in revenue over time. This incorporates a reduced level of management and performance related fees charged on assets under management and maintaining these reduced levels for at least a year with the expectation that the volume of assets under management could fall due to COVID-19;
- Liquidity position based on current and projected cash resources. The Company's current cash/liquidity position is able to sustain its current operational costs for at least a year even with a significantly reduced revenue scenario;
- Reverse stress tests, and;
- The Company's operational resilience with respect to the impact of the pandemic on existing processes and key stakeholders such as suppliers, employees, customers and its existing IT systems and infrastructure.

Based on the above assessment of the Company's financial position, COVID-19 impact, liquidity and capital, the Directors have concluded that the Company has adequate resources to continue in operational existence 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.

1.6 Related party transactions

As the Company is a 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 IAS 24 and has therefore not disclosed transactions with entities which form part of the Group. Balances with other members of the Group are disclosed with notes 7, 8, 9, 12, 13, 16, 17 and 23.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.7 Foreign currency

The Company's functional and presentational currency is GBP. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

1.8 Revenue from contracts with customers

Revenue, which is stated net of value added tax, comprises management fees, performance fees, commission receivable and other income, net of commission costs 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 services are provided and are calculated on various formulae linked to the value of portfolios at pre-determined valuation dates and investment performance in current and previous periods.

Performance fees are fees paid on the 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.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions.

Revenue is based on terms specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Revenue is recognised when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer.

A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognised by measuring the Company's progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a performance obligation satisfied at a point in time is recognised at the point in time the customer obtains control of the promised good or service.

The amount of revenue recognised reflects the consideration the Company expects to be entitled to in exchange for the promised goods and services. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction, are collected from a customer and are excluded from revenue.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of profit and loss and other comprehensive income in the periods during which services are rendered by employees.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.9 Employee benefits - continued

Defined benefit plans

The Company participates in the Mellon Retirement Benefits Plan ("the Plan"). As required by IAS 19 Employee Benefits, and as there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the Plan to participating entities, the Company recognises a cost equal to its contribution payable for the accounting period, as if it were a defined contribution plan. The net defined benefit cost of the Plan is recognised fully by the sponsoring employer, which is another member of the Group. The assets of the Plan are held separately from those of the Company.

1.10 Share-based payment transactions

Share-based payments

Certain employees are issued Restricted Stock Units (RSUs) and options in the shares of The Bank of New York Mellon Corporation (the Company's ultimate parent). All share-based payments issued under these plans are equity settled.

The grant date fair value of the majority of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

Most RSUs issued are measured based on grant date fair value of the shares of The Bank of New York Mellon Corporation. However, certain awards granted to Code staff are required to be marked to market due to discretionary claw back language contained in their grants. Options are measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

Vesting 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.

The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. Certain of the Company's 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. If an employee voluntarily leaves the Company before the awards are fully vested, then the shares in relation to the employee are forfeited, with a credit to the Statement of profit and loss and other comprehensive income and a debit to equity.

Where an employee has transferred between different companies within the 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.

1.11 Interest receivable and interest payable

Interest receivable and payable is recognised in the Statement of profit and loss and other comprehensive income, using the effective interest rate method.

Interest receivable and similar income include interest receivable on funds invested.

Interest payable and similar charges include interest payable and net foreign exchange gains or losses that are recognised in the Statement of profit and loss and other comprehensive income (see policy 1.7). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.12 Dividends

Dividend income is recognised in the Statement of profit and loss and other comprehensive income on the date the entity's right to receive payments is established.

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.

1.13 Taxation

Taxation on profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 Non-derivative financial instruments - classification and measurement

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings and other creditors.

Financial assets are measured at amortised cost if meeting both of the following conditions and are not designated as at fair value through profit and loss (FVTPL):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets include trade and other debtors.

Financial assets are measured at fair value through other comprehensive income (FVOCI) only if meeting both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application depending on the facts and circumstances at that date.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.14 Non-derivative financial instruments - classification and measurement - continued

Current asset investments represent stocks of units and shares held and are carried at FVTPL. Gain and losses arising from changes in the fair value based on quoted market prices are recognised through the Statement of profit and loss and other comprehensive income.

A financial liability is initially recognised at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost or FVTPL. Loans and borrowings and trade and other creditors are measured at amortised cost using the effective interest rate method.

Business model assessment

Certain financial assets, for example, deposits with central banks and financial institutions, always will be held for collection of contractual cash flows as the nature of the asset means that it cannot be sold. For other financial assets, the Company makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Information that is considered includes:

- the stated policies and objectives for the portfolio;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the frequency and volume of historical and expected sales.

The Company generally does not hold assets for trading.

Assessment of whether cash flows are solely payments of principal and interest

‘Principal’ for these purposes is defined as the fair value of the financial asset at initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

1.15 Impairment of financial instruments (including trade and other debtors)

Under IFRS 9, the Company generally recognises loss allowances at an amount equal to the 12-month expected credit loss (“ECL”) (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime ECL basis.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.15 Impairment of financial instruments (including trade and other debtors) - continued

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date – the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Financial guarantee contracts – the expected payments to reimburse the holder less any amounts that the Company expects to recover.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 31 December 2019 results in an immaterial allowance for impairment.

1.16 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods on assets other than goodwill are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.17 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

1.18 Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.18 Intangible assets - continued

Amortisation is charged to the Statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Computer software, internally generated 5 years
- Intangible assets under development 5 years

1.19 Fixed asset investments

Investments in subsidiaries are carried at cost less impairment.

1.20 Current asset investments

Trading assets

Investments represent stocks of units and shares held, which are purchased and sold on a short term basis. Accordingly, such investments are classified as held for trading and carried at fair value through profit and loss. These are initially recognised at fair value and associated transaction costs are expensed in the profit and loss account. Gains and losses arising from changes in the fair value based on quoted market prices are recognised through the profit and loss account.

1.21 Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about future conditions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to impairment of intangible assets, impairment of investment in subsidiaries, the valuation of financial instruments, deferred tax assets and provisions. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes 11, 12, 14, 18 and 21 in the financial statements.

2 Revenue from contracts with customers

Nature of Services and Revenue Recognition

Fee revenue in Investment Management is primarily variable, based on levels of AUM and the level of client-driven transactions, as specified in fee schedules.

Investment management fees are dependent on the overall level and mix of AUM. The management fees, expressed in basis points, are charged for managing those assets. Management fees are typically subject to fee schedules based on the overall level of assets managed and products in which those assets are invested.

Investment management fee revenue also includes transactional and account-based fees. These fees along with distribution and servicing fees are recognised when the services have been complete. Clients are generally billed for services performed on a monthly or quarterly basis.

Performance fees are generally calculated as a percentage of the applicable portfolio's performance in excess of a benchmark index or a peer group's performance. Performance fees are recognized at the end of the measurement period when they are determinable.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

2 Revenue from contracts with customers - continued

Contract Balances

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £9,486,000 at 31 December 2019 (2018: £10,264,000). An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other expense in the Statement of profit and loss and other comprehensive income. Receivables from customers are included in debtors on balance sheet.

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. The Company had £nil contract assets as at 31 December 2019 (2018: £nil).

Contract liabilities represent payments received in advance of providing services under certain contracts and were £nil as at 31 December 2019 (2018: £nil).

Any changes in the balances of contract assets and contract liabilities would result from changes arising from business combinations, impairment of a contract asset and changes in the timeframe for a right to consideration becoming unconditional or a performance obligation to be satisfied. No such instances were noted.

Contract costs

Contract costs represent either costs which are capitalised relating to incremental costs for obtaining contracts, or costs incurred for fulfilling contract obligations when they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to fulfil performance obligations and are recoverable. The Company had £nil contract costs as at 31 December 2019 (2018: £nil).

Unsatisfied Performance Obligations

The Company does not have any unsatisfied performance obligations other than those subject to a practical expedient election under IFRS 15. The practical expedient applies to (i) contracts with an original expected length of one year or less, and (ii) contracts for which the Company recognises revenue at the amount to which the Company has the right to invoice for services performed.

By activity

	2019	2018
	£000	£000
Management fees	11,508	12,572
Performance fees	7,071	8,720
Net commissions receivable	49,537	66,881
Other income	10,759	2,429
Net Revenue	<u>78,875</u>	<u>90,602</u>

Net commissions receivable relates to commissions received and paid away to Group undertakings for the management of portfolios, for which another Group undertaking is the fund operator.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

3 Administrative expenses and auditor's remuneration

Profit before taxation is stated after charging:

	2019	2018
	£000	£000
Amortisation of intangible assets	192	92
Depreciation of ROU assets	12	-

Auditor's remuneration:

	2019	2018
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	79	80
Audit related assurance services	-	16
	<u>79</u>	<u>96</u>

4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was 167 (2018: 199), of which 3 were Directors (2018: 3).

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Salaries and wages*	25,086	29,417
Share-based payments (see note 5)	2,699	2,348
Social security costs	3,086	4,111
Pension costs - defined contribution plan	1,452	1,628
Pension costs - defined benefit plan	5	183
Other staff costs	916	925
	<u>33,244</u>	<u>38,612</u>

* Including short-term incentives recognised on an accrual basis.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

5 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.

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. However, certain awards granted to Code Staff are required to be marked-to-market due to discretionary clawback language contained in their grants.

All restricted stock and RSUs are to be settled by physical delivery of shares.

Stock options outstanding at 31 December 2019

Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$			\$
21 - 30	3,405	2.1	22.03
	<u>3,405</u>	<u>2.1</u>	<u>22.03</u>

Stock options outstanding at 31 December 2018

Range of exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$			\$
11 - 20	884	0.2	18.02
21 - 30	5,637	3.2	22.03
31 - 40	1,246	1.4	30.23
	<u>7,767</u>	<u>2.5</u>	<u>22.90</u>

The number of share options exercised during 2019 was 2,874 at a weighted average price of \$24.35 (2018: nil).

During 2019, £2,699,000 was charged to the profit and loss account in respect of share-based option plans settled in equity (2018: £2,348,000).

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

6 Directors' emoluments

The aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services is disclosed below. Qualifying services include services as a director of the Company, as a director of any of its subsidiary undertakings or otherwise in connection with the management of the affairs of the Company or any of its subsidiary undertakings. The amounts are disclosed irrespective of which Group company actually makes the payment to the directors.

	2019	2018
	£000	£000
Directors' emoluments	987	935
Amounts receivable under long-term incentive schemes	344	351
Company contributions to money purchase pension plans	20	7
Compensation for loss of office	58	-
	<u>1,409</u>	<u>1,293</u>

Current year director's emoluments include short-term incentive payments made in February 2019 in respect of 2018 performance. The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Directors was £888,000 (2018: £905,000), and Company pension contributions of £6,000 (2018: £7,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director did not exercise share options but did receive shares under a long term incentive scheme.

	Number of Directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	2
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	4	4

7 Income from shares in Group undertakings

	2019	2018
	£000	£000
Other income from fixed asset investments	-	17,000

Other income from fixed assets investments includes a dividend received from BNYM Fund Managers Limited of £nil (2018: £17,000,000).

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

8 Interest receivable and similar income

	2019 £000	2018 £000
Receivable from Group undertakings	398	327
Receivable from current asset investment	177	140
Total interest receivable and similar income	<u>575</u>	<u>467</u>

9 Interest payable and similar charges

	2019 £000	2018 £000
Net foreign exchange loss	17	1
Payable to Group undertakings	76	54
Total interest payable and similar charges	<u>93</u>	<u>55</u>

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

10 Taxation

Recognised in the Statement of profit and loss and other comprehensive income

	2019		2018	
	£000	£000	£000	£000
<i>UK corporation tax & Foreign tax</i>				
Current tax on profit for the period	1,494		3,171	
Adjustments in respect of prior periods	3		(6)	
	<u>1,497</u>		<u>3,165</u>	
<i>Foreign tax</i>				
Tax relief / other relief	-		(10)	
Current tax on profits for the period	-		324	
Adjustments in respect of prior periods	-		(693)	
	<u>-</u>		<u>(379)</u>	
Total current tax		1,497		2,786
<i>Deferred tax (see note 14)</i>				
Origination and reversal of temporary differences	68		154	
Adjustments in respect of prior periods	-		(270)	
Effect of changes in tax rates	(7)		(16)	
	<u>61</u>		<u>(132)</u>	
Total deferred tax		61		(132)
Total tax expense		<u>1,558</u>		<u>2,654</u>

Factors affecting total tax charge for the current period

	2019	2018
	£000	£000
Profit for the year	4,955	31,635
Total tax expense	<u>1,558</u>	<u>2,654</u>
Profit excluding taxation	6,513	34,289
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	1,237	6,515
Effect of tax rates in foreign jurisdictions	46	(59)
Effect of tax rate change on timing differences	(7)	(16)
Non-deductible expenses	279	413
Tax exempt income	-	(3,230)
Under provided in prior years	3	(969)
Total tax expense	<u>1,558</u>	<u>2,654</u>

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

10 Taxation - continued

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £105,896.

11 Intangible assets

	Computer software, internally generated £000	Intangible assets under development £000	Total £000
Cost			
At 1 January 2019	1,336	149	1,485
Additions	263	-	263
At 31 December 2019	1,599	149	1,748
Amortisation			
At 1 January 2019	1,238	20	1,258
Amortisation	71	121	192
At 31 December 2019	1,309	141	1,450
Net book value			
At 31 December 2018	98	129	227
At 31 December 2019	290	8	298

During the year management conducted an impairment review of intangible assets. The review indicated that there were no indicators of impairment. Management are therefore satisfied that the recoverable amount exceeds the carrying amount. The recoverable amount of the intangibles is based on their net realisable value.

12 Fixed asset investments

	Subsidiaries £000
Cost	
At 1 January 2019	22,175
Additions	16,206
At 31 December 2019	38,381
Net book value	
At 31 December 2018	22,175
At 31 December 2019	38,381

As part of the business restructuring the Company made a cash capital injection into its wholly owned subsidiary, BNY Mellon Fund Management (Luxembourg) S.A. of £15,176,000 in exchange for shares in February 2019. There was a further capital injection of £1,030,000 related to the transfer of its branch and representative offices in exchange for shares in May 2019. This provided working capital and compensation relating to the transfer of certain liabilities.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

12 Fixed asset investments - continued

Management have conducted an impairment assessment of the carrying value of the investment based on the net asset values and discounted cash-flow values and have concluded that no impairment exists at the balance sheet date.

Subsidiaries

The Company had 4 material subsidiaries in 2019 (2018: 4). The Company has a majority of the voting in 4 subsidiaries, less than a majority of the voting rights in none and none in a structured entity.

The Company has the following investments in subsidiaries:

Name of subsidiary	Registered office	Principal activity	Class of shares held	Ownership	Ownership
				2019	2018
BNY Mellon Fund Managers Limited	BNY Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA	Management and administration of unit trust/OEICs	Ordinary	100%	100%
BNY Mellon Investments Switzerland GmbH	Talacker 29, CH-8001 Zurich, Switzerland	Distributor of BNY Mellon investment management products and services	Ordinary	100%	100%
BNY MFM Nominees Limited	BNY Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA	Dormant non-trading company	Ordinary	100%	100%
BNY Mellon Fund Management (Luxembourg) S.A.	2-4, Rue Eugene Ruppert, Vertigo Building, Polaris, L-2453 Luxembourg.	Asset Management	Ordinary	100%	100%

13 Debtors

	2019	2018
	£000	£000
Trade debtors	778	844
Amounts owed by Group undertakings	15,277	11,303
Other debtors	17	-
Prepayments and accrued income	10,299	10,837
Deferred tax asset	900	1,030
	<u>27,271</u>	<u>24,014</u>
Due within one year	<u>27,271</u>	<u>24,014</u>

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

14 Deferred tax assets and liabilities

	2019	2018
	£000	£000
Provision at 1 January	1,030	1,162
Adjustment in respect of prior years	-	283
Deferred tax charge to profit and loss for the period	(61)	(138)
Deferred tax charge to Equity-settled share-based payment transactions for the period	(69)	(277)
Provision at 31 December	<u>900</u>	<u>1,030</u>

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

Recognised deferred tax assets and liabilities

	2019	2018
	£000	£000
Fixed assets	86	81
Restricted stock/option	814	931
Deferred cash	-	12
Severance provision	-	6
	<u>900</u>	<u>1,030</u>

15 Current asset investments

	2019	2018
	£000	£000
Current asset investments		
Financial assets designated at fair value through Statement of profit and loss	<u>24,369</u>	<u>26,884</u>

Current asset investments relate to a holding in the Insight Liquidity Fund ("ILF"). The Company's investment is in the ILF Sterling Liquidity fund. The aim of the fund is to maximise current income consistent with the preservation of principal and liquidity through the maintenance of a portfolio of high quality short-term "money-market" instruments.

16 Cash at bank and in hand

	2019	2018
	£000	£000
Cash at bank and in hand	<u>79,061</u>	<u>87,851</u>

Cash at bank included £78,696,000 (2018: 87,155,000) of funds on deposit with a UK regulated banking entity within the Group.

The Company is exposed to foreign exchange risk between the date of recognition and settlement of foreign currency income and expenses. To mitigate this the Company maintains foreign currency cash balances to offset the net currency position. This activity can result in foreign currency overdrafts that mitigate the risk of foreign currency receivables. All overdrafts are with the Bank of New York Mellon London Branch.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

17 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank loans and overdrafts	7,470	3,179
Amounts owed to Group undertakings	11,872	12,655
Accruals and deferred income	9,351	10,875
Taxation and social security	539	1,652
Other creditors	3,687	3,587
	<u>32,919</u>	<u>31,948</u>

18 Employee benefits

The total pension cost for the year was £1,452,000 (2018: £1,628,000) relating to the defined contribution plan and £5,000 (2018: £183,000) relating to the defined benefit plan. No amount (2018: £nil) was payable to the schemes at year end.

Defined contribution plan

Employees of the Company are eligible to join The Bank of New York Mellon Group Personal Pension Plan. This Plan is funded by a monthly payment to a third party insurer.

Defined benefit plans

The Company participates in the Mellon Retirement Benefits Plan ("the Plan"), a Group Plan in respect of which the contributions made are affected by surpluses or deficits in the Plan. The Plan is a final salary scheme and provides pension benefits linked to salary at retirement or earlier date of leaving service. The Mellon Retirement Benefits Plan has been closed to new employees since September 2006. From this date new joiners are eligible to join The Bank of New York Mellon Group Personal Pension Plan.

On 31 December 2018, the Trustee Directors executed a deed to amend the Plan rules to allow future accrual of benefits under the Plan to cease following the completion of the 60 day consultation in 'good faith' required under the pension regulations. As a result, no additional benefits are accrued by members of the Plan after 31 December 2018. The sponsoring employer, the London Branch of The Bank of New York Mellon, may however incur costs in future periods in relation to the funding of existing obligations under the Plan. Following the change, members were provided with the option to join The Bank of New York Mellon Group Personal Pension Scheme.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Plan to participating entities, the net defined benefit cost of the Plan is recognised fully by the sponsoring employer, The London Branch of the Bank of New York Mellon, which is another member of the Group. That entity bears the actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk inherent in the Plan. The Company recognises a cost equal to its contribution payable for the period. Contributions will in the long-term be affected by surpluses or deficits in the Plan.

Regulatory framework

The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

UK legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the current expected cost of providing benefits). The Plan has been valued by qualified actuaries as at 1 January 2019 with results to be finalised soon, the next valuations are due to be carried out in 2022. Within 15 months of the effective date of the valuation, the Trustee and the Company must agree the contributions required (if any) to ensure the Plan is fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement. It is unlikely that any contributions will be due by the Company as the Plan is expected to be in surplus at the valuation date.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

18 Employee benefits - continued

Defined benefit plans - continued

Governance of the Plan

The Plan is managed by a Trustee that is legally separate from the Company. The Trustee Directors are composed of representatives appointed by both the employer and employees, and include an independent professional Trustee Director. The Trustee Directors are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day to day administration of the benefits. They also are responsible for jointly agreeing with the employer the level of contributions.

Plan amendments, settlements and curtailments

There were no other Plan amendments, curtailments or settlements over the year.

Plan Assets - The Mellon Retirement Benefits Plan

	2019	2018
	£000	£000
Cash and cash equivalents	3,260	5,715
LDI and Liquidity	290,162	495,415
Debt instruments e.g. Government bonds	434,525	132,199
Real estate	-	38,382
Secured finance	161,821	-
Insured liabilities	6,431	-
Investment funds	36,947	165,750
Total	933,146	837,461

In respect of the Mellon Retirement Benefits Plan, the latest actuarial valuation carried out on 31 December 2019 for the purpose of FRS 101 showed a surplus of £167,814,000 (2018: surplus of £205,454,000). Contributions to the fund are no longer required on an ongoing basis following closure to future accrual.

All government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA or AA rated.

There are no transferable financial instruments of the Company held as Plan assets; nor is there property occupied by, or other assets used by, the Company.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

18 Employee benefits - continued

Defined benefit plans - continued

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2019	2018
	%	%
<i>Mellon Retirement Benefits Plan</i>		
Discount rate at 31 December	2.10	3.10
Future pension increases: RPI min 3% max 5%	3.55	3.55
Retail price inflation	3.05	3.00
Consumer price inflation	2.05	2.00

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Mellon Retirement Benefits Plan

- Current pensioner aged 65: 23.2 years (male), 24.6 years (female).
- Future retiree currently aged 45 upon reaching 65: 24.9 years (male), 26.1 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2019	2019	2018	2018
	£000	£000	£000	£000
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	(160,696)	222,880	(131,725)	182,224
Medical cost trend	N/A	N/A	N/A	N/A
Future pension increases	131,987	(105,632)	106,066	(84,727)
Inflation (RPI, CPI)	144,686	(122,802)	122,793	(103,157)

The above analyses assume that assumption changes occur in isolation except in the case of inflation where any change is assumed to have a corresponding impact on inflation-linked pension increases. In practice this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

18 Employee benefits - continued

Defined benefit plans - continued

Funding

The Plan is funded by a monthly payment to the Plan's investment manager by The Bank of New York Mellon London Branch and an appropriate amount is recharged to the Company. The funding requirements are based on actuarial measurement frameworks set out in the funding policies of the Plan. The funding of the Plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

The Bank of New York Mellon London Branch does not expect to pay any contributions (2019: £8,200,000) in respect of the Mellon Retirement Benefits Plan in 2020. The weighted average duration at the end of the reporting period for the Mellon Retirement Benefits Plan's defined benefit obligation was 25 years (2018: 25 years).

19 Capital and reserves

Share capital

In thousands of shares	Ordinary shares	
	2019	2018
On issue at 1 January fully paid	53,129	47,661
Issued for cash	-	5,468
On issue at 31 December fully paid	<u>53,129</u>	<u>53,129</u>
	2019	2018
	£000	£000
Allotted, called up and fully paid		
53,128,795 ordinary shares of £1 each (2018: 53,128,795)	<u>53,129</u>	<u>53,129</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20 Operating leases

At the end of the year, the Company had no annual commitments under non-cancellable operating leases relating to land and buildings (2018: £4,000):

	2019	2018
	£000	£000
Expiring within one year	<u>-</u>	<u>4</u>

At the beginning of 2019 the Company had an operating lease in its Sweden branch, which was transferred to BNY Mellon Fund Management (Luxembourg) S.A. as part of the Brexit related business restructuring in May 2019.

21 Financial instruments

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments. Short term debtors and creditors are excluded from financial assets and financial liabilities.

BNY Mellon Investment Management EMEA Limited

Notes to the financial statements for the year ended 31 December 2019

21 Financial instruments - continued

As at 31 December 2019, the Company carried a quoted investment at fair value through the Statement of profit and loss and other comprehensive income that relates to a holding in the Insight Liquidity Fund plc with a fair value of £24,369,000 (2018: £26,884,000). The aim of the fund is to provide a flexible and stable alternative to bank deposits for institutional and professional investors. This investment was valued based on Level 1 valuation technique (quoted prices in active markets for identical assets or liabilities).

22 Transactions involving Directors, officers and others

At 31 December 2019 there were no loans or other transactions made to Directors or officers or other related parties of the Company (2018: £nil).

23 Offsetting financial assets and financial liabilities

Amounts due to and from certain individual Group undertakings are netted in the balance sheet as settlement is made net. The extent of this netting can be seen below:

	2019			2018		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Amounts owed by Group undertakings	17,265	1,988	15,277	15,881	4,578	11,303
Amounts owed to Group undertakings	13,860	1,988	11,872	17,233	4,578	12,655

24 Subsequent events

Subsequent to 31 December 2019, the COVID-19 virus spread into the UK and other countries outside of China. Accordingly, management has considered this to be a non-adjusting post balance sheet event and an analysis of its impact on the Company has been considered within the 'Risk Management' section.

25 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY Mellon International Asset Management Group Limited, a company registered in England and Wales. BNY Mellon International Asset Management Group Limited's registered address is 160 Queen Victoria Street, London, EC4V 4LA.

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 2019 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 its registered address:

The Secretary
The Bank of New York Mellon Corporation
240 Greenwich Street
New York, NY
10286
USA.