Newton Investment Management Limited

Strategic report, Directors' report and financial statements

Registered number: 1371973

For the year ended 31 December 2013

Newton Investment Management Limited

Board of directors and other information

Directors
C D Cowie
A T Downs
J M Helby
H L Morrissey
R J Munroe
S T Pryke

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

Auditor
KPMG Audit Plc
15 Canada Square
London
E14 5GL

Registered Office
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

Registered Number
1371973

Newton Investment Management Limited

Strategic report

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

The Company has continued to operate profitably and there have been no significant changes in the Company's core operations during the year, except as noted below with regards to the sale of the Private Client business

The Company's sole activity is fund management and the business is built around the following principal client bases private clients (to 27th September 2013 and thereafter does not form part of the client base), institutions (including government bodies, local authorities and corporations), charities and retail investment funds

On 27 February 2013, Newton Management Limited, together with the Company, announced the sale of the Company's private client business to Standard Life Wealth Limited The transaction completed on 27 September 2013, with the business contributing approximately £18,000,000 of turnover and £10,000,000 of administrative expenses to 2013's profit and loss account Assets under management of approximately £2,790,000,000, along with 78 employees transferred to the purchaser

The Company continues to manage a variety of products including multi-asset, specialist equity and fixed income mandates and is in a position to offer existing and potential clients an extensive range of focussed services The Company's investment management services are provided through segregated portfolios or ranges of pooled investment vehicles

The overall aim of the Company is to increase the real wealth of its clients through consistent, long-term performance

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

	2013 £000	2012 £000	Change %
Turnover	210,347	189,765	11%
Administrative expenses	(125,458)	(120,646)	4%
Net assets	296,237	185,343	60%
Assets under management	48,652,674	47,020,794	3%

The Company's revenues are driven in the main from the value of assets under management and as such the business is susceptible to volatility in equity, fixed income and currency market levels In order to sustain profit margins in times of market downturn the Board regularly reviews the Company's cost base and is investing heavily in systems development over the next few years to ensure the operational platform is as efficient as possible There is also some strategic risk associated with changes in the products demanded in the market although the Company is protected to an extent from such changes through its varied product offering The main business risk stems from sustained periods of under-performance on flagship funds and instability in the fund management teams The latter risk is mitigated by the use of an equity incentive arrangement for the key investment professionals, whilst investment performance is regularly scrutinised by the Board

Equity markets continued to improve steadily over the course of 2013, resulting in increased investor confidence as the economy shows signs of recovery and the outlook predicts positive growth for UK and US markets The FTSE 100 closed 14% up on December 2012 at 6,749 (2012 5,897) which has been a contributing factor in the increase in turnover year on year Fund performance to benchmark across the core strategies has been mixed in 2013, but 3yr and 5yr performance figures remain strong Performance fee revenue continues to be depressed by prior periods of under-performance, but more recent periods of improved performance are starting to have an impact

Newton Investment Management Limited

Strategic report – continued

The increase in equity markets, coupled with continued strong sales of the BNY Mellon Investment Funds and BNY Mellon Global Funds pooled vehicle ranges, led to an increase in assets under management Sales in the Real Return, Global Higher Income and Asian Income core strategies continue to remain strong, which has gone someway to offset lower margin segregated client losses The net result is that turnover increased from 2012 by 11%, or £20,582,000, despite only three quarters of private client turnover booked in 2013 compared to a full year in 2012

Administrative expenses have increased by £4,812,000 compared to 2012 (2013 £125,458,000 2012 £120,646,000) primarily driven by an increase in staff costs year-on-year The increase is attributable to retention and cash payments on forfeited Real Equity awards for private client employees, increased temporary service costs, incentives and other severance payments Underlying salaries and wages attributable to permanent employees has decreased since 2012 due the private client sale and limited headcount growth across the remaining business

Retained profit of £113,898,000 has increased by £59,824,000 compared to 2012, predominantly due to the gain on the disposal of the private client business of £59,536,000

Net assets have increased by 60% during the year An interim dividend of £15,000,000 was paid in 2013 (2012 £50,000,000)

Future developments

During 2014, the Company will continue to develop and launch new products and services to clients and seek to optimise fund management capabilities within the BNY Mellon group A review of Newton's operational performance will be undertaken to seek potential efficiencies created by the sale of the private client business

By order of the Board

A T Downs
Director

Newton Investment Management Limited
160 Queen Victoria Street
London
EC4V 4LA

22 April 2014

Registered number 1371973

Newton Investment Management Limited

Directors' report

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

Principal activities

The principal activity of the Company is investment management

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

Results and dividends

The profit for the year after taxation amounted to £113,898,000 (2012 £54,074,000)

Interim dividends paid in the year amounted to £15,000,000 (2012 £50,000,000) The directors do not recommend a final dividend for the year ended 31 December 2013 (2012 £nil)

Post balance sheet event

On 31 March 2014, the Company entered into a loan agreement with its immediate parent undertaking, Newton Management Limited for the amount of £5,000,000 The purpose of the loan is to offer short term funding to enable Newton Management Limited to settle its obligations under the Long Term Incentive Plan The loan is subject to interest at the rate of 3 month GBP LIBOR plus 1% and is repayable by 30 June 2014 If the loan is not repaid during this period, the unpaid amount is then subject to a 5% default interest payable immediately

Risk management

The Company's status as a BIPRU limited licence firm changed to an IFPRU limited licence firm as from 1st January 2014 and is regulated by the FCA Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis At 31 December 2013, surplus regulatory capital as reflected within the Company's regulatory returns amounted to £60,932,000 (2012 £49,481,000)

Governance and policies

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

Governance of the Company is the ultimate responsibility of the Board of Directors The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the firm as part of the risk framework There is a Newton Chief Risk Officer and Head of Compliance He has an independent reporting line into the Head of BNY Mellon EMEA Asset Management Compliance

Key committees are in place to oversee compliance and risk management of the business to ensure adequate risk management and controls are in place Each committee has clearly stated terms of reference and reporting lines

The key committees include

- Newton Investment Management Risk and Compliance Committee
- Operational Risk Working Group
- Client Assets Oversight Group
- Treating Customers Fairly Quarterly Review Committee

In addition there are a number of BNY Mellon regional oversight committees in place to build on the U S Corporate Global Risk Management Framework

Newton Investment Management Limited

Directors' report - continued

Risk management - continued

- The BNYM EMEA (Europe, Middle East, and Africa) Asset Management Risk Committee has an oversight responsibility covering the major risk sources (except Liquidity risk), including compliance of the EMEA region The BNYM EMEA Asset Management Risk Committee has representation from the key risk sources as well as Business Heads Reports are provided and reviewed covering the risk sources and any issues that need monitoring

- The EMEA Asset & Liability Committee has oversight responsibility for the balance sheets of the U S branches in EMEA as well as local legal entities and its focus is primarily overseeing that liquidity risk is managed effectively

Risk management process

The lines of business are responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls This is done through the Risk Control Self-Assessment Process (RCSA) The objective of this is to prevent or minimise

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

The Company is responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls

The Risk Appetite at Bank of New York Mellon Corporation group ("the Group") level is set and owned by the BNY Mellon Board of Directors, giving the overall strategy and willingness to take on risk at a global level A Risk Appetite Statement and accompanying management information also exists at the Company level The Company's approach to Risk Management is to ensure that all material risks in each business are defined, understood and effectively managed by well-designed policies and controls The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the group and in coordination with the relevant business expertise

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

Credit risk

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

Market risk

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

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

Risk management - continued

Liquidity risk

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

Business risk

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

Compliance risk

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

Pillar 3 risk disclosures

Basel II Pillar 3 disclosures about the Company, as required by the Capital Requirements Directive, are covered by the BNY Mellon Investment Management (Europe) Holdings Limited group disclosures which can be found on the group website
(http //www bnymellon com/investorrelations/filings/index html)

EU Capital Requirements Directive IV ("CRD IV") disclosure

Institutions will be required to publish details of turnover and employment on a country by country basis under the EU Capital Requirements Directive IV ("CRD IV") by 1 July 2014 All firms subject to CRD IV will need to publish information on tax payments to the European Commission from 1 January 2015

Article 89 of CRD IV requires institutions to report the following information by member state and third countries in which it has an establishment

a) Nature of activities and geographical location (see 'Principal activities' on page 5 and Segmental reporting on page 14),
b) Turnover (see disclosure note 2 on page 17),
c) Number of employees on a full time equivalent basis (see disclosure note 4 on page 18)

All activities and employees of the Company are located in the UK

Employees

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

The Company adopts a total rewards and pay for performance remuneration philosophy Any remuneration elements awarded in respect of bonus and long-term incentives are discretionary, based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results All employees have the opportunity to purchase stock through the Group's Employee Stock Purchase Plan and the key business drivers are eligible to participate in a long term incentive scheme consisting of an existing award scheme vesting over a three year period and a new enhanced equity award scheme vesting over a five year period which links their compensation to the growth in value and financial performance of the Company

Newton Investment Management Limited

Directors' report - continued

Employees – continued

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

Directors

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

Directors	Appointment	Resignation
C D Cowie	08 August 2013	-
A T Downs	-	-
M Duncan	-	07 May 2013
J M Helby	-	-
H L Morrissey	-	-
R J Munroe	-	-
S T Pryke	-	-
C R Tye	-	04 March 2013

Directors' indemnity provisions

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

Disclosure of information to auditor

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

Auditor

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

By order of the Board

A T Downs
Director

Newton Investment Management Limited
160 Queen Victoria Street
London
EC4V 4LA

22 April 2014

Registered number 1371973

Newton Investment Management Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

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

Newton Investment Management Limited

Independent auditor's report to the members of Newton Investment Management Limited

We have audited the financial statements of Newton Investment Management Limited for the year ended 31 December 2013 set out on pages 11 to 25 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and to express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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

15 Canada Square
London
E14 5GL

22 April 2014

Newton Investment Management Limited

Profit and loss account
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	210,347	189,765
Administrative expenses		(125,458)	(120,646)
Operating profit	3	84,889	69,119
Exceptional items	7	59,536	-
Interest receivable and similar income	8	686	710
Interest payable and similar charges	9	(6)	(358)
Profit on ordinary activities before taxation		145,105	69,471
Taxation on profit on ordinary activities	10	(31,207)	(15,397)
Profit for the financial year		113,898	54,074

Notes 1 to 24 are integral to these financial statements

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

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

Newton Investment Management Limited

Balance sheet
at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Intangible assets	11	-	1,222
Tangible assets	12	131	61
		131	1,283
Current assets			
Debtors	13	55,003	49,614
Cash at bank and in hand	14	293,197	173,685
		348,331	224,582
Creditors amounts falling due within one year	15	(48,273)	(35,717)
Total assets less current liabilities		300,058	188,865
Creditors amounts falling due after more than one year	16	(3,821)	(3,522)
Net assets		296,237	185,343
Capital and reserves			
Called up share capital	17	35,500	35,500
Equity capital contribution	18	52,202	40,206
Profit and loss account	18	208,535	109,637
Shareholders' funds		296,237	185,343

Notes 1 to 24 are integral to these financial statements

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

A T Downs
Director

22 April 2014

Registered number 1371973

Newton Investment Management Limited

Notes to the financial statements
at 31 December 2013

1. Accounting policies

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

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

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

Basis of preparation

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

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 FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group

Cash flow statement

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 3 and 4 In addition, the Directors' report on pages 5 to 8 includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk

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

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

Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Newton Investment Management Limited

Notes to the financial statements - continued
at 31 December 2013

1. Accounting policies - continued

Turnover

Turnover, which is stated net of value added tax, comprises 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 invoicing dates and investment performance in current and previous periods Revenue is recognised for the element of management fees linked to performance, which is usually billed on a four-year rolling basis, when such fees in respect of each calendar year are receivable in accordance with management agreements

Segmental reporting

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

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

Interest, fees and commission

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

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Long term incentive plans

Awards made under the Long Term Incentive Plan (LTIP) are in the form of restricted equity in the holding company, Newton Management Limited The existing awards which vest over a three year period were increased to compensate for the drop in value subsequent to the disposal of the private client business and the cost is charged on a straight line basis during this period Once shares have reached exercise point, the employee is entitled to acquire the shares from the holding company During the period an additional award was granted with a five year vesting period and the cost is charged over the period to reflect management's best estimate of the expected Compound Annual Growth Rate (CAGR) which will be reviewed at the end of each reporting period The amount of shares that actually vest in five years' time is dependent on the CAGR achieved

Newton Investment Management Limited

Notes to the financial statements - continued
at 31 December 2013

1. Accounting policies - continued

Long term incentive plans - continued

The values of the shares are assessed on a bi-annual basis by an independent valuer The key inputs into the valuation process are five year forecasts, including discounted cash flow prepared by the Company Employees may hold their shares for a maximum period of seven years following acquisition If an employee decides to sell their shares, they may do so in a window following the most recent valuation at the prevailing price per share by exchanging them for cash from the holding company, Newton Management Limited

If an employee leaves prior to the shares vesting, the employee will forfeit their right to exercise their unvested shares, however, the directors have the discretion to allow the employees to retain their rights subject to approval from the Remuneration Committee (Remco) Once the shares have vested ex-employees are still entitled to exercise those shares during the sale window

Post retirement benefits

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

For defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes A Group personal pension scheme is funded by a monthly payment to a third party insurer

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

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

Share based payments

The cost of share based payment arrangements, other than those with the Real Equity scheme, is measured by reference to the fair value of equity instruments on the date they are granted, recognised as an expense over the vesting period, with a corresponding credit to the equity capital contribution reserve Restricted stock and restricted stock units ("RSU") expense is recognised on a straight-line basis using a graded vesting method The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately All share based payments are equity settled Where an employee has transferred between different Companies within the BNY Mellon Group, current and future years' amortisation of all types of share based payments issued in prior years will be charged to the new Company from the year of transfer

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

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

1. Accounting policies - continued

Share based payments - continued

Vesting conditions, other than market performance conditions, are not factored into the initial estimate of the fair value at the grant date They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions Certain of our share-based payment awards vest when the employee retires For grants of share-based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire

Where an award has been modified and the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant The incremental fair value is calculated by comparing the fair value of the modified grant with the fair value of the original grant at the modification date The incremental fair value of the modification grant is recognised over the remaining vesting period

Taxation

Income tax comprises current tax and deferred tax Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in the statement of total recognised gains and losses, in which case it is recognised in the statement of total recognised gains and losses Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists

Deferred tax is recognised without discounting on timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax liabilities are generally recognised and deferred tax assets are recognised to the extent that they will be recoverable Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

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

1. Accounting policies - continued

Intangible assets

Intangible assets purchased separately from a business are capitalised at cost and amortised by equal annual instalments over ten years based on the directors' estimate of their useful life Intangible assets are subject to an annual impairment review and any impairment charge due to permanent diminution in value is included within operating profits

Tangible fixed assets and depreciation

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

Office fixtures and furniture	10 years
Computer hardware and software	3 – 10 years
Motor vehicles	5 years

Dividends

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

2. Analysis of turnover

By activity

	2013 £000	2012 £000
Management fees	205,367	186,016
Performance fees	3,612	1,964
Commission receivable and other income	1,502	2,180
Commission and other costs	(134)	(395)
	210,347	189,765

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2013 £000	2012 £000
Depreciation of tangible fixed assets	21	16
Amortisation of intangible assets	244	1,443

Auditor's remuneration

	2013 £000	2012 £000
Audit of these financial statements pursuant to legislation	55	55
Other services pursuant to legislation	31	31
Other services	148	111
	234	197

4. Staff costs

	2013 £000	2012 £000
Salaries and wages	76,205	70,648
Social security costs	4,976	4,995
Share based payments (see note 21)	720	756
Pension costs	4,021	4,193
Other staff costs	1,784	1,416
	87,706	82,008

The average monthly number of persons employed by the Company during the year was 383 (2012 421), of which 7 were directors (2012 7)

Salaries and wages and social security costs include the cost of LTIP schemes amounting to £12,600,000 (2012 £17,400,000)

5. Directors' emoluments

	2013 £000	2012 £000
Directors' emoluments	5,706	5,192
Amounts receivable under long term incentive schemes	7,288	3,152
Company contributions to money purchase pension schemes	206	215
Company contributions to defined benefit pension schemes	15	-

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £4,697,000 (2012 £2,667,000) and company pension contributions of £39,000 (2012 £38,000) were made to a money purchase scheme on their behalf

The emoluments disclosed above relate to 8 directors of the Company (2012 7 directors) The emoluments of the other directors for their service as a director of the Company were borne by fellow group undertakings

	Number of directors 2013	Number of directors 2012
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	7	7
Defined benefit schemes	1	-
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	6	6

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

6. Pensions costs

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

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

In respect of The Mellon Retirement Benefits Plan, the latest actuarial valuation was carried out as at 31 December 2013 for the purpose of FRS17 and this showed a deficit of £7 3 million (2012 surplus of £6 4 million) Contributions to the fund were determined at the rate of 18 5% to 25 7% of pensionable salaries, depending on member category (2012 18 5% to 25 7%) The plan was closed to new members effective 30 September 2006 From this date new joiners are eligible to join the Bank of New York Mellon Group Personal Pension Plan In addition to normal contributions there was also a lump sum funding of £10 million in the year

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

The total pension cost for the period was £4,021,035 (2012 £4,192,773) and £15,545 (2012 £3,776 payable from) was payable to the schemes at the year end

7 Exceptional items

	2013 £000	2012 £000
Net gain on sale of private client business	59,536	-
	59,536	-

On the 27th September 2013 the Company sold its portfolio of private clients to Standard Life Wealth The profit on ordinary activities includes £63,850,000 sale consideration and £4,314,000 administrative expenses relating to the sale of the portfolio of the private clients Administrative expenses include the deal and transition costs and the write off of intangible fixed assets

8. Interest receivable and similar income

	2013 £000	2012 £000
Receivable from short term deposits	686	710
	686	710

Newton Investment Management Limited

Notes to the financial statements - continued
at 31 December 2013

9. Interest payable and similar charges

	2013 £000	2012 £000
Net foreign exchange losses	6	358
	6	358

10. Taxation

Analysis of charge in the period	2013 £000	2012 £000
Taxation is based on profit before tax for the year and comprises		
Current corporation tax charge for the year at 23 25% (2012 24 5%)	31,283	15,468
Adjustments in respect of prior periods		
- UK corporation tax	(51)	1,375
Total current tax	31,232	16,843
Deferred tax	(726)	(1,870)
Effect of decrease in tax rate	859	424
Adjustments in respect of prior periods	(158)	-
Total deferred tax (see note 13)	(25)	(1,446)
	31,207	15,397

Factors affecting the tax charge for the current period

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

	2013 £000	2012 £000
Profit on ordinary activities before tax	145,105	69,471
Tax charge on profit on ordinary activities at standard rate of 23 25% (2012 24 5%)	33,737	17,020
Factors affecting tax charge		
- Disallowable expenses	208	418
- Other short term timing differences	844	2,139
- Group relief received	(3,506)	(4,109)
- Adjustments in respect of prior periods	(51)	1,375
Current corporation tax charge for year	31,232	16,843

Factors that may affect future current and total tax charges

The main rate of UK corporation tax was reduced from 24% to 23% effective from 1 April 2013 and results in a weighted average tax rate of 23 25% for 2013 (2012 24 5%) During 2013, Finance Act 2013 enacted further reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015 The 20% rate was substantively enacted as at the balance sheet date, and it is expected that the majority of deferred tax balances shall reverse after 1 April 2015 Therefore the deferred tax balances as at 31 December 2013 have been stated at 20% resulting in a reduction in the net deferred tax asset at year end For the deferred tax balances that are expected to reverse prior to 1 April 2015, the impact of the rate change is not expected to be material

Newton Investment Management Limited

Notes to the financial statements - continued
at 31 December 2013

10. Taxation - continued

Taxation on profit on ordinary activities includes an amount of £13,842,086 attributable to the gain on the sale of the portfolio of private clients to Standard Life Wealth

11. Intangible assets

	£000 Goodwill
Cost	
At 1 January 2013	20,275
Disposed in the year	(20,275)
At 31 December 2013	-
Amortisation	
At 1 January 2013	19,053
Charge for the year	244
Disposed in the year	(19,297)
At 31 December 2013	-
Net book value	
At 31 December 2013	-
At 31 December 2012	1,222

The intangible assets relating to the purchase of private client business and the assets of Henderson in August 2002 and Singer and Friedlander in September 2006 were sold to Standard Life Wealth on the 27th September 2013

12. Tangible fixed assets

	Office fixtures and furniture £000	Computer hardware and software £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2013	96	36	76	208
Additions in the year	-	91	-	91
Disposals	-	-	(76)	(76)
At 31 December 2013	96	127	-	223
Depreciation				
At 1 January 2013	65	6	76	147
Charge for the year	10	11	-	21
Disposals	-	-	(76)	(76)
At 31 December 2013	75	17	-	92
Net book value				
At 31 December 2013	21	110	-	131
At 31 December 2012	31	30	-	61

13. Debtors

	2013 £000	2012 £000
Trade debtors	1,996	1,421
Due from fellow group undertakings	28,525	25,128
Other debtors	725	553
Deferred tax asset	6,774	6,749
Prepayments and accrued income	16,983	15,763
	55,003	49,614

Included in prepayments and accrued income is an amount of £nil (2012 £52,634) due after more than one year

Deferred tax is made up of the following

	2013 £000	2012 £000
At 1 January	6,749	5,303
Profit and loss credit (see note 10)	25	1,446
At 31 December	6,774	6,749

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

	2013 £000	2012 £000
Long-term incentive compensation charged in profit and loss account	6,592	6,680
Excess of depreciation over capital allowances	42	70
Other	140	(1)
	6,774	6,749

14 Cash at bank and in hand

	2013 £000	2012 £000
Cash at bank	293,197	173,685

Cash at bank included £241,724,000 (2012 £126,670,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon Group

Newton Investment Management Limited

Notes to the financial statements - continued
at 31 December 2013

15. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Due to fellow group undertakings	7,314	5,728
Taxation and social security	10,996	5,243
Accruals and deferred income	29,963	24,746
	48,273	35,717

16. Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Cash-settled share-based payments*	3,821	3,522

* The balance relates to national insurance on the cash settled employee benefit trust held in Newton Management Limited

17. Called up share capital

	2013 £000	2012 £000
Authorised, allotted and fully paid 35,500,000 ordinary shares of £1 each	35,500	35,500

18. Movement in reserves

2013	Called up share capital £000	Profit and loss account £000	Reserves £000	Total £000
At 1 January	35,500	109,637	40,206	185,343
Equity capital contribution	-	-	11,996	11,996
Profit for the financial year	-	113,898	-	113,898
Ordinary dividend paid	-	(15,000)	-	(15,000)
At 31 December	35,500	208,535	52,202	296,237

2012	Called up share capital £000	Profit and loss account £000	Reserves £000	Total £000
At 1 January	35,500	105,563	17,774	158,837
Equity capital contribution	-	-	22,432	22,432
Profit for the financial year	-	54,074	-	54,074
Ordinary dividend paid	-	(50,000)	-	(50,000)
At 31 December	35,500	109,637	40,206	185,343

Newton Investment Management Limited

Notes to the financial statements - continued
at 31 December 2013

19. Financial instruments

As at 31 December 2013, the Company had derivative financial instruments as follows a forward foreign exchange contract to sell 560,000 Euro against Sterling on 31 January 2014 at a rate of 0 8345 EUR/£1 00, a forward exchange contract to sell 2,050,000 US Dollars against Sterling on 31 January 2014 at a rate of 1 649 USD/£1 00, and a forward exchange contract to sell 1,100,000 Swiss Francs against Sterling on 31 January 2014 at a rate of 1 466 CHF/£1 00 As at 31 December 2013, when these financial instruments were entered into, the fair value was £nil

As at 31 December 2012, the Company had derivative financial instruments as follows a forward foreign exchange contract to sell 241,500,000 Japanese Yen against Sterling on 31 January 2013 at a rate of 136 66 JPY/£1 00, a forward exchange contract to sell 4,150,000 US Dollars against Sterling on 31 January 2013 at a rate of 1 623 USD/£1 00, and a forward exchange contract to sell 1,500,000 Swiss Francs against Sterling on 31 January 2013 at a rate of 1 484 CHF/£1 00 As at 31 December 2012, when these financial instruments were entered into, the fair value was £nil

20. Long term incentive plan

Real Equity

Jointly owned restricted equity awards in the immediate parent undertaking, Newton Management Limited

	2013 Number of awards (000's)	2012 Number of awards (000's)
Balance outstanding at 1 January	4,058	3,517
Additions during the year	5,622	1,268
Forfeitures in the year	(453)	(97)
Redeemed in the year	(851)	(630)
Balance outstanding at 31 December	8,376	4,058

During the year ended 31 December 2013, £5,622,067 (2012 1,268,377) shares were issued by Newton Management Limited to a Joint Ownership Equity trust with regard to Real Equity Awards made to employees of Newton Investment Management Limited During 2013 £12,600,000 (2012 £17,400,000) was charged to the profit and loss in respect of the Real Equity Scheme

21. Share based payments

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

Restricted share awards and restricted stock units

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 period The recipient of a share of restricted stock is entitled to voting rights and generally is entitled to dividends on the common stock An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse The recipient generally is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding but does not receive voting rights The fair value of restricted stock and RSUs is equal to the fair market value of The Bank of New York Mellon common stock on the date of grant

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

Notes to the financial statements - continued
at 31 December 2013

21. Share based payments - continued

	2013 Number of awards	2012 Number of awards
Balance outstanding at 1 January	78,875	65,167
Staff transfers	4,585	(1,274)
Awarded	34,711	38,358
Released (vested) in the year	(21,987)	(19,714)
Forfeited / cancelled	-	(3,662)
Balance outstanding at 31 December	96,184	78,875

The weighted-average fair value of restricted share awards in 2013 was $25 82 (2012 $26 38) per share

During 2013, £720,046 was charged to the profit and loss account in respect of restricted share awards settled in equity (2012 £755,993)

As at 31 December 2013, £134,709 / $210,746 (2012 £181,125 / $287,058) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over the weighted average period of approximately 1 1 years (2012 1 4 years)

22. Transactions involving directors and officers

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

23. Post balance sheet events

On 31 March 2014, the Company entered into a loan agreement with its immediate parent undertaking, Newton Management Limited for the amount of £5,000,000 The purpose of the loan is to offer short term funding to enable Newton Management Limited to settle its obligations under the Long Term Incentive Plan The loan is subject to interest at the rate of 3 month GBP LIBOR plus 1% and is repayable by 30 June 2014 If the loan is not repaid during this period, the unpaid amount is then subject to a 5% default interest payable immediately

24. Parent company

The immediate parent undertaking of the Company is Newton Management Limited, a company registered in England & Wales Copies of accounts for Newton Management Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ

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

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

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