Newton Investment Management Limited

Strategic report, Directors' report and financial statements

Registered number 1371973

31 December 2015

Newton Investment Management Limited

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Newton Investment Management Limited

Board of Directors and other information

Directors
C D Cowie
A T Downs
M Harris
J M Helby
H Jowitt
E H Ladd
H L Morrissey (Chair)
R J Munroe
S Noble

Secretary
I Partridge

Auditor
KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Registered Office
160 Queen Victoria Street
London
EC4V 4LA

Registered Number
1371973

Strategic report

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

Business review

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

The Company's sole activity is investment management and the business is built around the following principal client bases: Institutions (including government bodies, local authorities and corporations), charities and retail investment funds.

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.

Financial key performance indicators

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

	2015 £000	2014 £000	Change £000	Change %
Turnover	202,784	200,223	2,561	1%
Administrative expenses	108,157	121,328	(13,171)	(11)%
Net assets	308,003	281,832	26,171	9%
Assets under management	42,647,054	47,179,706	(4,532,652)	(10)%

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 partly mitigated by the use of an equity incentive arrangement for the key investment professionals, whilst investment performance is regularly scrutinised by the Board.

2015 has seen volatility in global equity markets due to concerns around US and European growth and global political tensions. The FTSE 100 closed at 6,242 on 31 December 2015, 5% lower than December 2014 (6,566), whilst there was an average decrease over the period of 1%. Fund performance to benchmark across the core strategies has been mixed in 2015 with Asian Income, Higher Income and Global equity strategies out-performing over the 12 month period, but Global Higher Income and Real Return under-performing marginally. This has led to 12% increase in management fees, offset by a 4% reduction in transfer revenue from group companies. Performance figures related to 3 and 5 year periods remain good.

Performance fee revenue has increased compared to 2014, primarily due to the realisation of performance fees due on a large segregated client termination, but also as a result of UK and Global equity out-performance.

The volatility in equity markets, coupled with net outflows of the BNY Mellon Investment pooled vehicle range and segregated client losses, has resulted in a decrease in assets under management. Gross sales into the Real Return, Global Higher Income and Asian Income core strategies continue to remain strong.

Newton Investment Management Limited

Strategic report

Turnover increased from 2014 by £2,561,000 (1%), which is driven by the factors described above.

Administrative expenses decreased by £13,171,000 (11%) compared to 2014, primarily driven by a reduction in long term incentive plan expenses due to the departure of several senior staff members and the write back of the Newton enhanced equity scheme accrual to reflect long term growth projections.

Net assets increased by £26,171,000 (9%) during the year. An interim dividend of £55,000,000 was paid in 2015 (2014: £102,000,000).

Business and future developments

During 2016, 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.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 4 to 7.

Approval

By order of the Board

A T Downs
Director
12th April 2016

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

Registered number: 1371973

Newton Investment Management Limited

Directors' report
31 December 2015

The directors present their report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the Company is investment management.

The Company is authorised by the Financial Conduct Authority ("FCA"). 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 £74,232,000 (2014: £70,339,000).

Interim dividends paid during the year amounted to £55,000,000 (2014: £102,000,000). The directors do not recommend a final dividend for the year ended 31 December 2015 (2014: £nil).

Risk management

The Company's changed from being a IFPRU limited licence firm back to a BIPRU limited license firm as of 1 July 2015, and it is regulated by the FCA. As a result of this change, capital and other financial returns are now prepared and submitted to the regulator on a semi-annual basis. At 31 December 2015, surplus regulatory capital as reflected within the Company's regulatory returns amounted to £92,814,000 (2014: £142,488,000).

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
- Board Risk Committee
- Treating Customers Fairly and Conflicts of Interest Committee

In addition, 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 the risks associated with their 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 impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

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 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, and interest rate exposure on cash balances.

Operational risk

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

Liquidity risk

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

Business risk

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

Risk management process continued

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

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 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.

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:

	Appointed	Resignation
C D Cowie	-	-
A T Downs	-	-
M Harris	-	-
J M Helby	-	-
H Jowitt	29 January 2015	-
E H Ladd	-	-
H L Morrissey	-	-
R J Munroe	-	-
S Noble	12 March 2015	-
S T Pryke	-	19 June 2015
J A Wylie	-	30 July 2015

Newton Investment Management Limited

Directors' report
31 December 2015

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 (2014: £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

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 T Downs
Director

12th April 2016

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

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, 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* (FRS101).

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.

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 2015 set out on pages 10 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: *Reduced Disclosure Framework* (FRS101).

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

Scope of the audit of the financial statements

A description of the scope of audit of financial statements is provided on the Financial Reporting Council's (FRC's) website 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 2015 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.

Ravi Lamba (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

20th April 2016

Newton Investment Management Limited

Statement of profit and loss
for the year ended 31 December 2015

	Note	2015 £000	2014*# £000
Turnover	2	202,784	200,223
Administrative expenses		(108,157)	(121,328)
Other operating income	3	-	218
Operating profit	4	94,627	79,113
Net gain on sale of private client business	7	-	767
Interest receivable and similar income	8	1,050	897
Interest payable and similar charges	9	(90)	(100)
Profit on ordinary activities before tax		95,587	80,677
Taxation on profit on ordinary activities	10	(21,355)	(10,338)
Profit for the financial year		74,232	70,339

*The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

The Company has reclassified certain prior year numbers to be consistent with current year presentation. (See note 1.5).

Notes 1 to 27 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.

The Company has not prepared a separate statement of other comprehensive income as all the income and losses are reflected in the statement of profit and loss above.

Newton Investment Management Limited

Balance sheet
at 31 December 2015

	Note	2015 £000	2014*# £000
Fixed assets			
Tangible assets	11	208	62
Intangible assets	12	3,396	112
		3,604	174
Current assets			
Debtors	13	41,970	56,923
Investments	15	38,578	38,773
Cash at bank and in hand	16	267,554	226,503
		348,102	322,199
Creditors: amounts falling due within one year	17	(40,980)	(36,193)
Net current assets		307,122	286,006
Total assets less current liabilities		310,726	286,180
Creditors: amounts falling due after more than one year	18	(2,723)	(4,348)
Net assets		308,003	281,832
Capital and reserves			
Called up share capital	20	35,500	35,500
Other reserves		76,302	69,363
Profit and loss account		196,201	176,969
Shareholders' equity		308,003	281,832

*The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

The Company has reclassified certain prior year numbers to be consistent with current year presentation. (See note 1.5).

Notes 1 to 27 are integral to these financial statements.

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

A T Downs
Director

12th April 2016

Registered number: 1371973

Newton Investment Management Limited

Statement of changes in equity
31 December 2015

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	35,500	52,202	208,630	296,332
Profit for the year	-	-	70,339	70,339
Equity-settled share based payment transactions	-	17,161	-	17,161
Dividends	-	-	(102,000)	(102,000)
Balance at 31 December 2014	35,500	69,363	176,969	281,832

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	35,500	69,363	176,969	281,832
Profit for the year	-	-	74,232	74,232
Equity-settled share based payment transactions	-	6,939	-	6,939
Dividends	-	-	(55,000)	(55,000)
Balance at 31 December 2015	35,500	76,302	196,201	308,003

Notes 1 to 27 are integral to these financial statements.

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. These are the Company's first financial statements produced under FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which are *equivalent* to Adopted IFRS. The Bank of New York Mellon Corporation's consolidated financial statements are available at www.bnymellon.com/investorrelations/annualreport/index.html. 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 International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 27.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosure in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements (see note 1.5); and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

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 1.20.

1.2 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: derivative financial instruments, financial instruments classified as fair value through the profit or loss and liabilities for cash-settled share-based payments. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies continued

1.3 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 2 to 3. In addition, the Directors' report on pages 4 to 7 includes the Company's objectives, policies and processes for managing its capital; its financial risk management 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.

Based on the above assessment of the Company's financial position, 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.

1.4 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 or balances with entities which form part of the Group.

1.5 Reclassification

Certain prior year numbers have been reclassified to be consistent with current year presentation. This has affected the statement of profit and loss/statement of comprehensive income/balance sheet along with notes 2, 3, 5, 8, 13 and 17 to the financial statements.

1.6 Turnover

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, including commision receivable, 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.

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, 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.

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

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies continued

1.7 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.

1.8 Interest receivable and interest payable

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 (see foreign currency accounting policy). 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. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in the statement of profit and loss as it accrues, using the effective interest method.

1.9 Employment benefits

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 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.

RSUs are measured based on grant date fair value of the shares of The Bank of New York Mellon Corporation. 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 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. 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 income statement and a debit to equity.

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.

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies continued

1.9 Employment benefits continued

Long Term Incentive Plan

Awards made under the Long Term Incentive Plan (LTIP) are in the form of restricted equity in the holding company, Newton Management Limited. Once shares have reached exercise point, the employee is entitled to acquire the shares from the holding company, accordingly, awards issued under this plan are classified as equity settled in Newton Investment Management Limited and cash-settled in Newton Management Limited as this is the settling entity. Awards vest over a three year period and the cost is charged on a straight line basis during this period to Newton Investment Management Limited.

The value of the shares is assessed on a bi-annual basis by an independent valuer, with mark to market adjustments being recognised in the holding company. The key inputs into the valuation process are five year forecasts, including a 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 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 income statement and a debit to equity. The offset in the holding company, Newton Management Limited is a debit to the LTIP liability and a credit to the cost of investment in Newton Investment Management Limited. If an employee leaves the company involuntarily, the proportion of the award up to the date of departure can be exercised in the next redemption window, with the remainder being written back. This is at the discretion of the remuneration committee.

1.10 Post-employment 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 in the periods during which services are rendered by employees.

Defined benefit plans

The Company participates in a group wide defined benefit pension plan. As required by IAS 19 Employee Benefits, 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 scheme. The net defined benefit cost of the pension 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.

1.11 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies continued

1.11 Taxation continued
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.

1.12 Foreign currency

The Company's functional currency is £. The Company's presentational currency is also £. 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 within interest payable and similar charges, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

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 profit and loss account within interest receivable or payable as appropriate.

1.13 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies continued

1.14 Current asset investment

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.

1.15 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 FRS101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

1.16 Derivative financial instruments

The Company uses derivative financial instruments, mainly forward currency contracts. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.17 Intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

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

Amortisation

Amortisation is charged to the statement of profit and loss 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, other 5 years

1.18 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 10 years

Notes to the financial statements
for the year ended 31 December 2015

1 Accounting policies continued

1.18 Tangible fixed assets continued

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.19 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods on assets other than goodwill is 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.

1.20 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 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 on the financial statements.

Notes to the financial statements
for the year ended 31 December 2015

2 Turnover

By activity

	2015	2014 #
	£000	£000
Management fees	56,875	55,415
Performance fees	15,585	9,066
Net commission receivable	130,324	135,742
	202,784	200,223

Net commission receivable relates to fees receivable from group undertakings for the management of portfolios managed by the Company, for which another group undertaking is the fund operator.

The Company has reclassified certain prior year numbers to be consistent with current year presentation.

3 Other operating income

	2015	2014 #
	£000	£000
Other operating income	-	218
	-	218

The Company has reclassified certain prior year numbers to be consistent with current year presentation.

4 Expenses and auditor's remuneration

Profit on ordinary activities before taxation is stated after charging:

	2015	2014
	£000	£000
Depreciation of tangible fixed assets	70	38
Amortisation of intangible assets	863	-

Auditor's remuneration:

	2015	2014
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	92	55
Audit related assurance services	62	31
All other services	40	147
	194	233

Notes to the financial statements
for the year ended 31 December 2015

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as 303 (2014: 317), of which 7 were directors (2014: 6).

The aggregate payroll costs of these persons were as follows:

	2015	2014 #
	£000	£000
Salaries and wages	61,296	73,290
Share based payments (see note 24)	734	707
Social security costs	3,529	5,422
Pension costs	3,610	3,428
Other staff costs	1,209	2,006
	70,378	84,853

The Company has reclassified certain prior year numbers to be consistent with current year presentation.

6 Directors' remuneration

	2015	2014
	£000	£000
Directors' emoluments	4,507	5,858
Amounts receivable under long term incentive schemes*	2,060	3,012
Company contributions to money purchase pension plans	158	204
Company contributions to defined benefit pension plans	42	39
	6,767	9,113

* The amounts receivable under long term incentive plans is on an accruals basis, assuming service and performance criteria are met. If these amounts were disclosed only when the cash payment to an individual becomes unconditional, the amounts presented above would be: £1,472,000 (2014 £2,415,000).

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid directors was £2,833,000 (2014: £3,176,000), and Company pension contributions of £42,000 (2014: £40,000) were made to a money purchase scheme on their behalf. During the year the highest paid director exercised share options and received shares under a long term incentive scheme.

Notes to the financial statements
for the year ended 31 December 2015

6 Directors' remuneration continued

	Number of Directors 2015	Number of Directors 2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	5
Defined benefit schemes	1	1
The number of directors who exercised share options was	-	3
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was:	5	6

The emoluments disclosed above relate to 7 directors of the Company (2014:6 directors). The emoluments of the other for their services was borne by a fellow group undertaking.

7 Gain on disposal of business

	2015 £000	2014 £000
Net gain on sale of private business	-	767

On the 27th September 2013 the Company sold its portfolio of private clients to Standard Life Wealth. Deferred consideration was finalised in May 2014, resulting in the additional gain of £767,000.

8 Other interest receivable and similar income

	2015 £000	2014 # £000
Receivable from external third parties on bank deposits	3	36
Receivable from group undertaking	878	738
Receivable from current asset investment	169	123
Total interest receivable and similar income	1,050	897

The Company has reclassified certain prior year numbers to be consistent with current year presentation.

9 Interest payable and similiar charges

	2015 £000	2014 £000
Net foreign exchange loss	90	100
Total other interest payable and similar charges	90	100

Notes to the financial statements
for the year ended 31 December 2015

10 Taxation

Recognised in the profit and loss account

	2015 £000	2014* £000
UK corporation tax		
Current tax on income for the period	13,589	12,684
Adjustments in respect of prior periods	5,196	(1,925)
Total current tax	18,785	10,759
Deferred tax (see note 14)		
Origination and reversal of temporary differences	2,091	(423)
Reduction in tax rate	370	-
Recognition of previously unrecognised tax losses	109	2
Total deferred tax	2,570	(421)
Tax on profit on ordinary activities	21,355	10,338

Reconciliation of effective tax rate

	2015 £000	2014* £000
Profit for the year	74,232	70,339
Total tax expense	21,355	10,338
Profit excluding taxation	95,587	80,677
Tax using the UK corporation tax rate of 20.25% (2014: 21.50%)	19,356	17,346
Effect of tax rate change on timing differences	344	36
Non-deductible expenses	61	153
Other - payment of witholding taxes	-	62
Losses surrendered by other group entities	(3,712)	(5,376)
Under/(over) provided in prior years	5,306	(1,883)
Total tax expense	21,355	10,338

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge and deferred tax balance accordingly. The effect of the reduction from 18% to 17% has not been quantified.

Notes to the financial statements
for the year ended 31 December 2015

10 Taxation continued

Reconciliation of effective tax rate continued

* The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

11 Tangible assets

	Office equipment	Total *
	£000	£000
Cost or valuation		
At 1 January 2015	149	149
Additions	216	216
At 31 December 2015	365	365
Depreciation and impairment		
At 1 January 2015	87	87
Depreciation	70	70
At 31 December 2015	157	157
Net book value		
At 31 December 2015	208	208
At 31 December 2014	62	62

* The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

Notes to the financial statements
for the year ended 31 December 2015

12 Intangible assets

	Computer software, other £000	Intangible assets under development £000	Total * £000
Cost or valuation			
At 1 January 2015	155	-	155
Additions	-	1,363	1,363
Disposals	(58)	(217)	(275)
Transfers between classes	1,367	(1,367)	-
Transfers intra group	1,952	1,097	3,049
At 31 December 2015	3,416	876	4,292
Amortisation and impairment			
At 1 January 2015	43	-	43
Disposals	(10)	-	(10)
Amortisation	863	-	863
At 31 December 2015	896	-	896
Net book value			
At 31 December 2015	2,520	876	3,396
At 31 December 2014	112	-	112

* The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

13 Debtors

	2015 £000	2014* # £000
Trade debtors	3,104	2,377
Amounts owed by group companies	11,055	30,892
Other debtors	18	332
Prepayments and accrued income	23,074	16,034
Deferred tax asset (see note 14)	4,719	7,288
	41,970	56,923
Due within one year	41,970	56,923

*The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

The Company has reclassified certain prior year numbers to be consistent with current year presentation.

Notes to the financial statements
for the year ended 31 December 2015

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2015	2014*	2015	2014	2015	2014*
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	36	42	-	-	36	42
Share-based payments	4,677	6,985	-	-	4,677	6,985
Other	6	261	-	-	6	261
Tax assets/(liabilities)	4,719	7,288	-	-	4,719	7,288
Net tax assets/(liabilities)	4,719	7,288	-	-	4,719	7,288

Movement in deferred tax

	1 January 2015	Recognised in income	Recognised in equity	31 December 2015
	£000	£000	£000	£000
Tangible fixed assets	42	(6)	-	36
Share-based payments	6,985	(2,308)	-	4,677
Other	261	(256)	-	6
	7,288	(2,570)	-	4,719

	1 January 2014*	Recognised in income	Recognised in equity	31 December 2014*
	£000	£000	£000	£000
Tangible fixed assets	42	-	-	42
Share-based payments	6,685	300	-	6,985
Other	140	121	-	261
	6,867	421	-	7,288

* The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

Notes to the financial statements
for the year ended 31 December 2015

15 Current asset investment and other financial assets

	2015	2014
	£000	£000
Current asset investments		
Financial assets designated as fair value through profit or loss	38,578	38,773

Current asset investments relate to a holding in the Blackrock Institutional Cash Series plc. The Company's investment is in the ICS Institutional 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

	2015	2014
	£000	£000
Cash at bank and in hand	267,554	226,503

Cash at bank included £266,652,000 (2014: £224,557,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon 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 with which the Company has executed a master netting agreement in 2015.

Notes to the financial statements
for the year ended 31 December 2015

17 Creditors: amounts falling due within one year

	2015	2014* #
	£000	£000
Bank loans and overdrafts (see note 16)	2,311	-
Amounts owed to group undertakings	4,780	8,824
Accruals and deferred income	23,018	24,588
Taxation and social security	8,664	557
Other creditors	2,207	2,224
	40,980	36,193

*The Company has adjusted certain amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in notes 1 and 27.

#.The Company has reclassified certain prior year numbers to be consistent with current year presentation.

18 Creditors: amounts falling due after more than one year

	2015	2014
	£000	£000
Taxation and social security	2,723	4,348

The balance comprises National Insurance accrual on long term incentive plans.

Notes to the financial statements
for the year ended 31 December 2015

19 Post employment benefits

The total pension cost for the period was £3.6 million (2014: £3.4 million). and no amount (2014: £nil) was payable to the schemes at year end.

Defined contribution plans

Employees of the Company 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.

Defined benefit plans

The Company participates in two multi-employer defined benefit schemes in respect of which 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 ("the Plans"). The Plans are final salary plans and provide pension benefits linked to salary at retirement or earlier date of leaving service.

The Bank of New York Pension Plan was closed to new defined benefit members effective 1 May 2000. From this date new joiners were eligible to join The Bank of New York Pension Plan (defined contribution section) and, from 1 June 2008, The Bank of New York Mellon Group Personal Plan.

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 Plan.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Plans to participating entities, the net defined benefit cost of the pension 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. This amount will be affected periodically by changes in the plan surplus or deficit.

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). Both plans were valued by qualified actuaries in 2012 and the next revaluations are due to be finalised in 2016. Within 15 months of each 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.

Governance of the Plans

The Plans are 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.

Notes to the financial statements
for the year ended 31 December 2015

19 Post employment benefits continued

Defined benefit plans continued

Plan amendments, settlements and curtailments

On 21 December 2015, The Bank of New York Pension Plan merged with the Mellon Retirement Benefits Plan. A bulk transfer of assets and liabilities took place on 4 January 2016. No allowance has been made within the assets and liabilities of these plans at 31 December 2015 for the transfer, as the transfer-in happened after the balance sheet date. However, some allowance has been made in the expected contributions and benefits paid for the next year and subsequent years.

Plan Assets - The Bank of New York Pension Plan

	2015	2014
	£000	£000
Cash and cash equivalents	3,114	828
Equity instruments		
- UK equity	21,727	21,188
- Global equity	62,238	58,709
Debt instruments e.g. Government bonds	66,942	69,684
Total	154,021	150,409

In respect of The Bank of New York Pension Plan (defined benefit section), the latest actuarial valuation carried out on 31 December 2015 for the purpose of FRS 101 showed a surplus of £3.9 million (2014: deficit of £4.4 million). Contributions to the fund were determined at the rate of 26.6% to 46.9% of pensionable salaries, depending on member category (2014: 22.3% to 46.9%).

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

Plan Assets - The Mellon Retirement Benefits Plan

	2015	2014
	£000	£000
Cash and cash equivalents	2,094	1,263
Equity instruments		
- UK equity	71,692	22,020
- Global equity	143,688	179,906
Debt instruments e.g. Government bonds	81,256	70,129
Real estate	32,042	28,506
Investment funds	110,420	100,231
Total	441,192	402,055

In repect of the Mellon Retirement Benefits Plan, the latest actuarial valuation carried out on 31 December 2015 for the purpose of FRS 101 showed a deficit of £46.5 million (2014: deficit of £53.1 million). Contributions to the fund were determined at the rate of 18.5% to 25.7% of pensionable salaries, depending on member category (2014: 18.5% to 25.7%).

19 Post employment benefits continued

Defined benefit plans continued

All equity securities and 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.

Actuarial assumptions

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

	2015	2014
	%	%
Bank of New York Pension Plan		
Discount rate at 31 December	3.72	3.60
Future pension increases	2.35	2.00
Retail price inflation	3.25	3.00
Consumer price inflation	2.25	2.00
Mellon Retirement Benefits Plan		
Discount rate at 31 December	3.60	3.50
Future pension increases	3.75	3.65
Retail price inflation	3.35	3.20
Consumer price inflation	2.35	2.20

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:

Bank of New York Pension Plan

- Current pensioner aged 65: 23.6 years (male), 24.7 years (female).
- Future retiree currently aged 50 upon reaching 65: 25.0 years (male), 26.4 years (female).

Mellon Retirement Benefits Plan

- Current pensioner aged 65: 23.6 years (male), 26.2 years (female).
- Future retiree currently aged 45 upon reaching 65: 25.2 years (male), 28.1 years (female).

Funding

The Group Personal Pension Scheme is funded by a monthly payment to a third party pension provider by The Bank of New York Mellon London Branch and an appropriate amount is recharged to the Company. The funding requirements are based on the actuarial measurement framework set out in the funding policies of the plans. The funding of the plans is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

19 Post employment benefits continued

Defined benefit plans continued
Employees are required to contribute to the plans at rates specified in the Schedule of Contributions.

The Bank of New York Mellon London Branch expects to pay £9.8 milliion in contributions to its defined benefit plans in 2016. The weighted average duration at the end of the reporting period for the Mellon Retirement Benefits Plan's defined benefit obligation was 28 years (2014: 28 years) and for The Bank of New York Pension Plan's defined benefit obligation was 20 years (2014:17 years).

20 Capital and reserves

Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
35,500,000 Ordinary shares of £1 each	35,500	35,500

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.

Dividends

The following dividends were recognised during the period:

	2015 £000	2014 £000
£1.55 (2014: £2.88) per qualifying ordinary share	55,000	102,000

21 Operating leases

At the end of the year, the Company had the following annual commitments under non-cancellable operating leases relating to land and buildings:

	2015 £000	2014 £000
Expiring within one year	207	207
Expiring between two and five years	827	827
Expiring in more than five years	607	811
	1,641	1,845

During the year £84,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £113,000).

Notes to the financial statements
for the year ended 31 December 2015

22 Financial instruments

During the year ended 31 December 2015, the Company held investments in Blackrock Institutional Cash Series plc's ICS Institutional Sterling Liquidity fund that are designated as fair value through profit or loss (FVTPL). The fair value of these investments at 31 December 2015 was £38,578,000 (31 December 2014: £38,773,000). Losses recognised in profit or loss relating to movements in fair value on these investments for the year ended 31 December 2015 were £169,052 (2014: £122,939). 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. This investment was valued based on Level 1 valuation techniques by using quoted prices.

During the year ended 31 December 2015, the Company held derivative financial instruments comprising forward exchange contracts that were accounted for as trading instruments so measured at fair value with changes in value recognised in profit or loss. As at 31 December 2015, the Company had no derivative financial instruments outstanding (31 December 2014: fair value of £3,483). Losses recognised in profit and loss relating to movements in fair value on these instruments for the year ended 31 December 2015 were £3,483 (2014: loss of £3,209). The instruments were entered into for the purposes of managing currency risk. These contracts are valued based on Level 2 valuation technique by using inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

23 Long term incentive plan

	2015 Number of awards 000's	2014 Number of awards 000's
Balance outstanding at 1 January	8,565	8,381
Additions	1,151	1,797
Forfeitures	(2,065)	(67)
Redeemed	(1,200)	(1,546)
Balance outstanding at 31 December	6,451	8,565

During the year ended 31 December 2015, 1,151,244 (2014: 1,797,092) 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 2015 £5,947,000 (2014: £16,787,000) was charged to the profit and loss in respect of the Real Equity Scheme.

Notes to the financial statements
for the year ended 31 December 2015

24 Share based payments

Certain employees dedicated to the Company's business participate in a 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. All restricted stock and RSUs are to be settled by physical delivery of shares.

Restricted share awards

	2015 Number of awards	2014 Number of awards
Balance outstanding at 1 January	100,624	96,184
Staff transfers	5,705	-
Awarded during the year	32,702	37,280
Released / vested in the year	(60,103)	(30,955)
Forfeited / cancelled	-	(1,885)
Balance outstanding at 31 December	78,928	100,624

The weighted-average fair value of restricted share awards in 2015 was $39.44 (2014: $31.13).

During 2015, £733,503 was charged to the profit and loss account in respect of restricted share awards settled in equity (2014: £706,987).

As at 31 December 2015, £229,450 / $339,552 (2014: £109,909 / $171,552) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over the weighted average period of approximately 1.2 years (2014: 0.9 years).

25 Offsetting financial assets and financial liabilities

Group and Company

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

	2015			2014		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Due to group undertakings	8,084	3,304	4,780	8,824	-	8,824
Due from group undertakings	14,359	3,304	11,055	30,892	-	30,892

Notes to the financial statements
for the year ended 31 December 2015

26 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is Newton Management Limited, a company registered in England and 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 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 2015 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
225 Liberty Street
New York, NY
10286
USA.

Notes to the financial statements
for the year ended 31 December 2015

27 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1.1 to 1.20 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

		1 January 2014			31 December 2014		
		UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
	Note	£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible assets	b	-	110	110	-	112	112
Tangible fixed assets	b	131	(110)	21	174	(112)	62
		131	-	131	174	-	174
Current assets							
Trade debtors		1,996	-	1,996	2,377	-	2,377
Amounts owed by group undertakings	a	28,525	19,547	48,072	23,598	7,294	30,892
Other debtors		725	-	725	332	-	332
Deferred tax asset	c	6,775	94	6,869	7,235	54	7,289
Other financial assets		16,983	-	16,983	16,033	-	16,033
Investments		-	-	-	38,773	-	38,773
Cash at bank and in hand		293,197	-	293,197	226,503	-	226,503
		348,201	19,641	367,842	314,851	7,348	322,199
Creditors: amounts due within one year							
Corporation Tax		(10,980)	-	(10,980)	(557)	-	(557)
Amounts owed to group undertakings	a	(7,314)	(19,547)	(26,861)	(1,530)	(7,294)	(8,824)
Taxation and social security		(15)	-	(15)	-	-	-
Other creditors		(2,597)	-	(2,597)	(2,224)	-	(2,224)
Accruals and deferred income		(27,367)	-	(27,367)	(24,588)	-	(24,588)
Creditors: amounts falling due after more than one year							
Loans		(3,821)	-	(3,821)	(4,348)	-	(4,348)
Net assets		296,238	94	296,332	281,778	54	281,832
Capital and reserves							
Called up share capital		35,500	-	35,500	35,500	-	35,500
Share premium account		52,202	-	52,202	69,363	-	69,363
Profit and loss account		208,536	94	208,630	176,915	54	176,969
Shareholders' equity		296,238	94	296,332	281,778	54	281,832

Notes to the financial statements
for the year ended 31 December 2015

27 Explanation of transition to FRS 101 from old UK GAAP continued

Reconciliation of profit for 2014

	Note	UK GAAP £000	2014 Effect of transition to FRS 101 £000	FRS 101 £000
Turnover		200,223	-	200,223
Administrative expenses		(121,328)	-	(121,328)
Other operating income		218	-	218
Operating profit		79,113	-	79,113
Gain on disposal of business		767	-	767
Other interest receivable and similar income		897	-	897
Interest payable and similar charges		(100)	-	(100)
Profit on ordinary activities before taxation		80,677	-	80,677
Taxation (excluding taxation on gain on sale of discontinued operaton)	c	(10,298)	(40)	(10,338)
Profit for the year		70,379	(40)	70,339

Notes to the reconciliation of equity and profit

a) Under UK GAAP, the netting of asset and liability balances in the balance sheet is only allowed when there is the ability to insist on net settlement. Under IAS 32 the offsetting of financial assets and financial liabilities is only allowed when there is a legally enforceable right to offset and the intention to settle net. This has increased the Company's total assets by £19,547,000 as at 1 January 2014 and £7,294,000 as at 31 December 2014.

b) In accordance with IAS 38 'intangible assets', software development costs of £112,000 have been reclassified from property, plant and equipment as at 31 December 2014 (£110,000 as at 1 January 2014).

c) Under UK GAAP deferred tax is provided based on timing differences between items recognised in the tax return and in the financial statements whereas FRS 101 requires recognition of deferred taxes based on temporary differences between the tax value of an asset or liability and its balance sheet carrying amount. The effect is to increase deferred tax assets at 1 January 2014 by £94,000 and 31 December 2014 by £54,000.