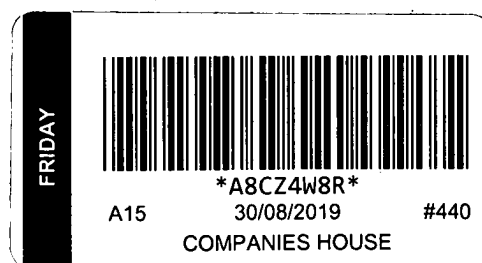


BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report, Directors' report and financial statements

Registered number 1796367

31 December 2018



BNY Mellon Performance & Risk Analytics Europe Limited

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BNY Mellon Performance & Risk Analytics Europe Limited

Board of Directors and other information

Directors

L Langenhan (Chairman)

G Porrett

M Priestley

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Registered Office

One Canada Square

London

E14 5AL

Registered Number

1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of BNY Mellon Performance & Risk Analytics Europe Limited ("the Company") business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

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

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.

Financial key performance indicators

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

	2018 £000	2017 £000	Change £000	Change %
Revenue	6,837	5,853	984	17%
Administrative expenses	7,414	7,070	344	5%
Profit before taxation	192	365	(173)	(47)%
Net assets	11,506	11,405	101	1%

Revenue increased by £984,000 during the year driven by a higher invoiced management fees £838,000.

Administrative expenses increased by £344,000 during the year driven by higher staff costs comprising severance and relocation expenses, higher support costs from other Group undertakings and recognition of a sublease loss provision in respect of the planned office closure, offset by reductions in net occupancy due to higher rent received from a Group undertaking.

Other operating income reduced by £864,000 driven by amounts receivable from a BNYM Group undertaking in respect of margin support as a result of the increased invoiced revenues in the year, and a reduction in service support recharges from other BNYM Group undertakings.

Taxation for the year increased by £27,000 driven by non-deductible expenses and prior year adjustment in respect of reallocation of Group payment arrangement.

Net assets increased of £101,000 during the year, primarily driven by 2018 profits after tax of £87,000.

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.

Business and future developments

During 2019, the Company will continue to develop and launch new products and services to clients and seek to optimise performance measurement, risk, post trade compliance and associated capabilities within the BNY Mellon Group.

As part of the BNY Mellon Brexit Programme, the Company continues to monitor the UK's withdrawal from the European Union and is proactively engaging with clients on their key concerns and considerations. The programme's analysis and planning has taken into account a range of potential economic scenarios and impact on the Company's operating model, aligned with regulatory and supervisory guidance which has been communicated industry-wide.

BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report

Risks due to the implications of Brexit include the ability to recruit and retain qualified employees due to the impact on the freedom of movement of labour from the EU, potential changes to the legal framework in which the Company operates and the impact of potential adverse movements in financial market values on the Company's financial performance and liquidity.

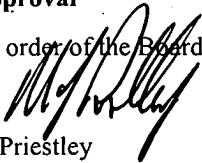
In order to ensure the smooth post-Brexit transition for customers domiciled in the EU/EEA, European branches owned by the Company are expected to be moved to an established subsidiary of the Company in Luxembourg. The expected impact on the Company of the migration is disclosed in the Directors' report.

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

As part of a multi-year corporate strategy we have been reviewing our operations within the EMEA region to determine the most appropriate office locations and footprint to support our business. We have been considering how we might achieve scalability in our operations, increase efficiency, reduce risk and cost, and how to best support our growth aspirations. After a considerable amount of analysis and careful consideration, we are proposing to close our Leeds office. All teams in Leeds are impacted by this proposal. We will manage the transition and closure thoughtfully and anticipate that migrations will be complete by the end of 2019. We will endeavour to minimise disruption to our clients and remain committed to delivering a quality service to them.

Approval

By order of the Board



M Priestley
Director

BNY Mellon Performance & Risk Analytics Europe Limited
One Canada Square
London
England
E14 5AL

2 August 2019

Registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Principal activity

The principal activities of the Company is the provision of information services for the statistical analysis and comparison of investment funds to third party clients and Group companies.

Results and dividends

The profit for the year after taxation amounted to £87,000 (2017: £287,000).

The directors do not recommend a final dividend for the year ended 31 December 2018 (2017: £nil).

Political donations

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

Risk management

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 ultimately the responsibility of the Board of directors. The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the firm as part of the risk framework.

Key committees and boards 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. Significant issues arising from these committees and boards may be reported up to the appropriate Investment Management / Investment Services Committee.

The key committees and boards include:

- EMEA Asset Servicing Business Acceptance Committee
- EMEA Asset Servicing Business Risk Committee
- Asset Servicing Global Product Management Forum
- European Investment Services Operations Committee
- Performance & Risk Analytics Europe Limited Board
- EMEA Senior Risk and Control Committee

Risk management process

The BNY Mellon Group Risk Management Framework provides integrated forward looking risk assessment, management information reporting, risk appetite and capital adequacy process consistency. Risk appetite for the Company is incorporated within the risk appetite of the Group. An appropriate Risk Management Framework is maintained that promotes a risk aware and transparent culture and the identification, assessment, mitigation, measurement and escalation of risk and control issues.

The Board adopts a prudent approach to all elements of risk to which the Company is exposed in line with the risk appetite of the Group.

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Risk management process - continued

Financial risks and other principal risks relevant to the Company are discussed below.

Credit risk

Credit risk covers default risk from clients for trade debtors and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform. The Company has limited exposure to credit risk.

Market risk

Market risk is the risk to a Company's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates and equity and commodity prices. The Company is exposed to minimal market risk.

Liquidity risk

Liquidity Risk is the inability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, at a reasonable cost in order to meet its short term (up to one year) obligations. The Company is exposed to minimal liquidity risk.

Strategic risk

Strategic Risk is defined as the risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or Business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/ divestitures/ joint ventures and major capital expenditures/ investments. The Board will ensure it remains within its risk appetite as it executes its strategy.

Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events (including Legal Risk but excluding Strategic and Reputation Risk).

Operational Risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational Risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

The Operational Risk Management Framework ("ORMF") provides the processes and tools necessary to fulfil a strategy of managing risk through a culture of risk awareness, a clear governance structure, well defined policies, procedures and reporting and suitable tools for reporting and monitoring to effectively identify, manage, mitigate, monitor and report the risks in an organised way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the BNY Mellon Group's global risk policy, using the Three Lines of Defence model as a foundation. Thus, responsibility for the management of Operational Risk sits first and foremost with the business and functions.

The ORMF relies on a culture of risk awareness, a clear governance structure and Operational Risk policies and procedures, which define the roles and responsibilities of the First, Second and Third Lines of Defence. These policies and procedures complement each other to ensure that the Operational Risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Risk management process - continued

Operational risk - continued

The Company uses the ORMF to capture, analyse and monitor its Operational Risks. The tools used to manage the Operational Risks of the business are prescribed through the enterprise Operational Risk program, assessment systems and related processes.

The Company utilises comprehensive policies and procedures designed to provide a sound operational environment. The Corporate Operational Risk Policies are reviewed and enhanced on an ongoing basis, and adopted by all businesses/legal entities as appropriate.

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 Forums at both a local and European level. The Forums build on existing communication channels and provide more formal opportunities for dialogue between management and employees.

The Company adopts a total rewards and pay for performance remuneration philosophy. Any variable remuneration incentives are discretionary, based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results and may be subject to deferral. Employees have the opportunity to purchase stock through the Group's Stock Accumulation Plan.

The Company is also committed to providing relevant training and development opportunities, to include achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The Company adheres to the principles of Equal Employment Opportunity, and 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	Resigned
L Langenhan	-	-
G Porrett	14 March 2019	-
M Priestley	-	-
A Wilcock	-	24 July 2019

Directors' indemnity provision

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2017: £nil).

Disclosure of information to auditor

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

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Post balance sheet events

There are no material post balance sheet events.

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



M Priestley
Director

BNY Mellon Performance & Risk Analytics Europe Limited
One Canada Square
London
England
E14 5AL

2 August 2019

Registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe 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* ("FRS 101").

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of BNY Mellon Performance & Risk Analytics Europe Limited

Opinion

We have audited the financial statements of BNY Mellon Performance & Risk Analytics Europe Limited for the year ended 31 December 2018 which comprise the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101: *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Independent auditor's report to the members of BNY Mellon Performance & Risk Analytics Europe Limited

Other information

The directors are responsible for the other information, which comprises the Strategic report and the Directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Independent auditor's report to the members of BNY Mellon Performance & Risk Analytics Europe Limited

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

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

Alison Allen

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

Chartered Accountant
15 Canada Square
London, E14 5GL

16 August 2019

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2018

	Note	2018 £000	2017* £000
Revenue	2	6,837	5,853
Administrative expenses	3,4	(7,414)	(7,070)
Other operating income	8	711	1,575
Operating profit		134	358
Interest receivable and similar income	9	65	7
Interest payable and similar charges	10	(7)	-
Profit before taxation		192	365
Taxation on profit	11	(105)	(78)
Total profit for the year		87	287

*The Company has reclassified certain prior year numbers to be consistent with current year presentation (see note 1.7).

Notes 1 to 22 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year 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 and other comprehensive income.

BNY Mellon Performance & Risk Analytics Europe Limited

Balance sheet at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible fixed assets	12	778	864
Current assets			
Debtors	13	4,330	3,294
Cash at bank and in hand	14	11,700	11,111
		16,030	14,405
Creditors: amounts falling due within one year	15	(3,331)	(1,816)
Net current assets		12,699	12,589
 Total assets less current liabilities		 13,477	 13,453
 Creditors: amounts falling due after more than one year	16	 (1,971)	 (2,048)
Net assets		11,506	11,405
 Capital and reserves			
Called up share capital	18	2	2
Share premium		281	281
Other reserves		193	179
Profit and loss account		11,030	10,943
Shareholders' Funds		11,506	11,405

Notes 1 to 22 are integral to these financial statements.

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



M Priestley
Director

2 August 2019

Registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of changes in equity at 31 December 2018

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2017	2	281	162	10,656	11,101
Profit for the year	-	-	-	287	287
Amortisation of share based payments	-	-	17	-	17
Balance at 31 December 2017	2	281	179	10,943	11,405

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2018	2	281	179	10,943	11,405
Profit for the year	-	-	-	87	87
Amortisation of share based payments	-	-	14	-	14
Balance at 31 December 2018	2	281	193	11,030	11,506

Notes 1 to 22 are integral to these financial statements.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

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

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company 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 International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). The Bank of New York Mellon Corporation's consolidated financial statements are available at <https://www.bnymellon.com/us/en/investor-relations/>. Accordingly the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

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

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

- A Statement of Cash Flows and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of capital management;
- Disclosures in respect of compensation of Key Management Personnel; and
- Disclosures in respect of revenue contracts with customers and significant judgements.

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.19.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.2 Changes in accounting policies

The Company has initially applied IFRS 9 and IFRS 15 from 1 January 2018.

IFRS 9 *Financial Instruments*

The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. ECLs on instruments classified as FVOCI are recognised in OCI rather than reducing the value of the instrument.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.2 Changes in accounting policies - continued

Effect of applying IFRS 9

Introduction of these changes had no material impact on the accounting for financial assets nor on retained earnings for the Company.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Introduction of these changes had no material impact on the accounting for revenue nor on retained earnings for the Company.

1.3 Accounting standards not yet effective

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use (“ROU”) asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. IFRS 16 replaces existing guidance including IAS 17 Leases. The standard is effective for accounting periods beginning on or after 1 January 2019.

When adopting the standard, the Company will recognise an increase in assets and liabilities, as a result of recording operating leases on balance sheet. Additionally, the Company expect the expense recognition pattern to be modified as a result of switching from a straight line approach, as required by the standard. At initial adoption of the standard, the Company expects to recognise a leased asset of £5,500,000 subject to impairment review as at 1 January 2019.

1.4 Measurement convention

These financial statements are prepared on the historical cost basis.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.5 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2 to 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.

1.6 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group. Balances with other members of the Group are disclosed within notes 13, 14, 15 and 20.

1.7 Reclassification

Certain prior year numbers have been reclassified to be consistent with current year presentation. This has affected the statement of profit and loss and other comprehensive income along with notes 7 & 8 to the financial statements.

1.8 Foreign currency

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

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.9 Revenue from contracts with customers

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

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

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

Policy applicable before 1 January 2018

The revenue recognition policy applicable before 1 January 2018 was not significantly different to current policy.

1.10 Employee benefits

Defined contribution plans

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

Defined benefit plans

The Company participates in a Group wide defined benefit pension plan. As required by IAS 19 Employee Benefits, and as there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the Company recognises a cost equal to its contribution payable for the accounting period, as if it were a defined contribution plan. The net defined benefit cost of the 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 Share-based payment transactions

Certain employees are issued Restricted Stock Units ("RSU") 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.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.11 Share-based payment transactions - continued

Vesting conditions are not factored into the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non market performance or service conditions.

The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. Certain of the 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 Group, current and future years' amortisation of all types of share based payments issued in prior years will be charged to the new company from the year of transfer.

1.12 Interest receivable and interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the Statement of profit and loss and other comprehensive income (see foreign currency accounting policy at note 1.8). Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1.13 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of 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.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.14 Non-derivative financial assets - classification and measurement

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

Financial assets are measured at amortised cost if meeting both of the following conditions and are not designated as at FVTPL:

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

Such financial assets include trade and other debtors.

Financial assets are measured at FVOCI only if meeting both of the following conditions:

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

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

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

Business model assessment

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

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

The Company generally does not hold assets for trading.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

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

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

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

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

Policy applicable before 1 January 2018

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are repayable on demand.

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.

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.

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

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company generally recognises loss allowances at an amount equal to 12-month ECL (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime ECL basis.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

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

Measurement of ECL

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

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

The Company has determined that the application of IFRS 9's impairment requirements had no material impact on the allowance for impairment as at 1 January 2018.

The Company maintains an allowance for doubtful accounts for the estimated non-collection of accounts receivable. Uncollectability is presumed 180 days after invoice issue date unless there are known customer - specific reasons for the delay in settlement.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

1.16 Offsetting

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

1.17 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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. The estimated useful lives are as follows:

- | | |
|--------------------------|--|
| • Leasehold improvements | Useful life or length of lease, whichever is shorter |
| • Office equipment | 7 years |
| • Fixtures and fittings | 10 years |

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies - continued

1.18 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Statement of profit and loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of profit and loss and other comprehensive income as an integral part of the total lease expense.

1.19 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 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 in the financial statements.

2 Revenue from contracts with customers

Nature of Services and Revenue Recognition

Revenue is derived from fees charged for the statistical analysis and comparison of investment funds for clients in the United Kingdom and mainland Europe.

Contract Balances

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £603,000 at 1 January 2018 and £234,000 at 31 December 2018. An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other expense in the Statement of profit and loss and other comprehensive income.

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. The Company had £nil contract assets as at 1 January 2018 and £nil as at 31 December 2018.

Receivables from customers are included in other assets on balance sheet.

Contract liabilities represent payments received in advance of providing services under certain contracts and were £nil at 1 January 2018 and £nil at 31 December 2018. Revenue recognised in 2018 relating to contract liabilities as of 1 January 2018 was £nil.

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

2 Revenue from contracts with customers - continued

Contract Costs

Contract costs represent either costs which are capitalised relating to incremental costs for obtaining contracts, or costs incurred for fulfilling contract obligations when they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to fulfil performance obligations and are recoverable. The Company had £nil contract costs as at 31 December 2018 (2017: £nil).

Unsatisfied Performance Obligations

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

3 Administrative expenses and auditor's remuneration

Profit before taxation is stated after charging:

	2018	2017
	£000	£000
Depreciation	140	131
Charges paid under operating lease for buildings	818	818

Auditor's remuneration:

Amounts receivable by the Company's auditor and its associates in respect of:

Audit of these financial statements pursuant to legislation	18	18
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4 Staff numbers and costs

The average number of persons whose employment costs are borne by the Company (including directors) during the year was 63 (2017: 71), of which 1 was a director (2017:1).

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Salaries and wages	2,484	2,353
Share based payments (see note 6)	14	17
Social security costs	333	345
Pension costs	558	565
Other staff costs	199	130
	<u>3,588</u>	<u>3,410</u>

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

5 Employee benefits

The total pension cost for the Company in respect of the year to 31 December 2018 was £558,000 (2017: £565,000) and no amount (2017: £nil) was payable to the schemes at the year end.

Defined contribution plan

The total pension cost for the period was £nil (2017: £nil) and no amount was payable (2017: £nil) was payable to the scheme at the year end.

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

Defined benefit plans

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

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

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

Regulatory framework

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

UK legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the current expected cost of providing benefits). The Plan was valued by qualified actuaries in 2016 and the next valuations are due to be carried out in 2019. Within 15 months of the valuation, the Trustee and the Company must agree the contributions required (if any) to ensure the Plan is fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

5 Employee benefits - continued

Defined benefit plans - continued

Governance of the Plan

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

Plan amendments, settlements and curtailments

The Plan was closed to future accrual on 31 December 2018. This year's accounting figures and assumptions have been updated to reflect this, including the adjustment to the definition of Final Pensionable Salary for members who were part of the closure. The Plan closure decreased the Plan's liabilities by £9,000,000, which reduction has resulted in a past service credit for the year ending 31 December 2018.

The potential impact of the High Court ruling on Guaranteed Minimum Pensions ("GMP") equalisation from October 2018 has also been allowed for, which has increased the Plan's liabilities by £1,000,000. This impact has been treated as a past service cost and offset part of the impact of closure.

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

Plan Assets - The Mellon Retirement Benefits Plan

	2018	2017
	£000	£000
Cash and cash equivalents	5,715	4,640
Equity instruments	-	-
- UK equity	-	87,204
- Global equity	-	262,611
LDI and Liquidity	495,415	148,736
Debt instruments e.g. Government bonds	132,199	121,647
Real estate	38,382	36,008
Investment funds	165,750	180,338
Total	837,461	841,184

In respect of the Mellon Retirement Benefits Plan, the latest actuarial valuation carried out on 31 December 2018 for the purpose of FRS 101 showed a surplus of £205,500,000 (2017: surplus of £90,900,000). Contributions to the fund were determined at the rate of 49.8% of pensionable salaries, less category-specific member contributions (2017: 49.8%).

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

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

5 Employee benefits - continued

Defined benefit plans - continued

Actuarial assumptions

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

	2018 %	2017 %
<i>Mellon Retirement Benefits Plan</i>		
Discount rate at 31 December	3.10	2.50
Future pension increases: RPI min 3% max 5%	3.55	3.60
Retail price inflation	3.00	3.05
Consumer price inflation	2.00	2.05

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

Mellon Retirement Benefits Plan

- Current pensioner aged 65: 23.0 years (male), 24.4 years (female).
- Future retiree currently aged 45 upon reaching 65: 24.7 years (male), 26.0 years (female).

Sensitivity analysis

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

	2018 £000 1% increase	2018 £000 1% decrease	2017 £000 1% increase	2017 £000 1% decrease
Discount rate	(131,725)	182,224	(161,899)	226,522
Future salary increases	N/A	N/A	31,263	(27,396)
Medical cost trend	N/A	N/A	N/A	N/A
Future pension increases	106,066	(84,727)	57,462	(65,327)
Inflation (RPI, CPI)	122,793	(103,157)	141,549	(127,084)

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

5 Employee benefits - continued

Defined benefit plans - continued

Funding

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

The Bank of New York Mellon London Branch expects to pay contributions of £8,200,000 (2017: £8,900,000) in respect of the Mellon Retirement Benefits Plan in 2019. The weighted average duration at the end of the reporting period for the Mellon Retirement Benefits Plan's defined benefit obligation was 26 years (2017: 26 years).

6 Share based payments

Certain employees dedicated to the Company's business participate in two Group long-term incentive plans which issue shares in BNY Mellon.

Stock options

These awards provide for the issuance of stock options at fair market value at the date of grant. Generally, options vest in tranches over a specified period, expire after 10 years from the grant date and are subject to forfeiture until certain restrictions have lapsed, predominantly continued employment by The Bank of New York Mellon Group for a specified period. All options are to be settled by physical delivery of shares. Details of all options existing during the year are shown below. No share options have been granted to employees of the Company since 2012.

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. For most awards, the fair value of restricted stock and RSUs is equal to the fair market value of The Bank of New York Mellon common stock on the date of grant. However, certain awards are granted to MRTs and are required to be marked to market due to discretionary claw back language contained in their grants. All restricted stock and RSUs are to be settled by physical delivery of shares.

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

6 Share based payments - continued

Stock options

	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
	2018	2018	2017	2017
Balance outstanding at 1 January	1,134	24.10	1,134	24.05
Exercised	(851)	22.03	-	-
Balance outstanding at 31 December	283	30.13	1,134	24.10
Exercisable at 31 December	283	30.13	1,134	24.10

851 share options were exercised during 2018 at a weighted average price of 22 (2017: nil were exercised at a weighted average price of nil).

Stock options outstanding at 31 December 2018

Range of exercise price \$	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$
31 - 40	283	2.2	30.13
	283	2.2	30.13

Stock options outstanding at 31 December 2017

Range of exercise price \$	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$
21 - 30	851	4.1	22.03
31 - 40	283	3.2	30.13
	1,134	3.9	24.10

During 2018, £51 was credited to the profit and loss account in respect of share based option plans settled in equity (2017: £4 charge).

7 Directors' emoluments

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

7 Directors' emoluments - continued

	2018	2017*
	£000	£000
Directors' emoluments	138	189
Amounts receivable under long-term incentive schemes	14	22
Company contributions to money purchase pension plans	1	-
Company contributions to defined benefit pension plans	44	66
	<u>197</u>	<u>277</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid directors was £127,166 (2017: £190,981), and Company pension contributions of £44,289 (2017: £60,260) were made to a defined benefit scheme on the individual's behalf. During the year, the highest paid director received shares under a long term incentive scheme and did not exercise any share options.

	Number of Directors	
	2018	2017*
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	-
Defined benefit schemes	1	2
The number of directors who exercised share options was	-	1
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	3	2

*The Company has restated certain prior year numbers relating to directors' remuneration to disclose amounts paid in the year and amounts which became receivable under long-term incentive schemes as at year end. The charge to administrative expenses in the Statement of profit and loss and other comprehensive income has continued to be recognised on an accruals basis. The number of directors disclosed for each item in the above table has also been restated where applicable to reflect this change.

8 Other operating income

	2018	2017*
	£000	£000
Recharge of service charges to fellow BNYM Group undertakings	344	588
Other operating income	<u>367</u>	<u>987</u>
	<u>711</u>	<u>1,575</u>

Other income comprises amounts for services rechargeable to various BNYM Group undertakings and amounts payable/receivable from a BNYM Group undertaking in which an agreement exists to receive margin support.

* The Company has reclassified certain prior year numbers to be consistent with current year presentation. The affiliated income balances were previously included in revenue.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

9 Interest receivable and similar income

	2018 £000	2017 £000
Net foreign exchange gain	12	-
Receivable from Group undertakings	53	7
Total interest receivable and similar income	65	7

10 Interest payable and similar charges

	2018 £000	2017 £000
Payable to Group undertakings	7	-

11 Taxation

Recognised in the profit and loss account and other comprehensive income

	2018 £000	2017 £000
<i>UK corporation tax</i>		
Current tax on profits for the period	91	99
Adjustments in respect of prior periods	8	-
Total current tax	99	99
<i>Deferred tax (see note 17)</i>		
Origination and reversal of temporary differences	5	(24)
Adjustments in respect of prior periods	1	-
Reduction in tax rate	-	3
Total deferred tax	6	(21)
Total tax expense	105	78

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

11 Taxation - continued

Factors affecting total tax charge for the current period

The charge for the year can be reconciled to the income per the Statement of profit and loss and other comprehensive income as follows:

	2018	2017
	£000	£000
Profit for the year	87	287
Total tax expense	<u>105</u>	<u>78</u>
Profit excluding taxation	192	365
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	36	70
Non-deductible expenses	60	5
Other timing differences	-	3
Under provided in prior years	<u>9</u>	<u>-</u>
Total tax expense	<u>105</u>	<u>78</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015 and a further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset/liability at 31 December 2018 has been calculated based on these rates.

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Notes to the financial statements for the year ended 31 December 2018

12 Tangible fixed assets

	Assets under construction £000	Fixtures and fittings £000	Leasehold improvements £000	Total £000
Cost				
At 1 January 2018	19	293	1,829	2,141
Additions	278	-	-	278
Transfers	(297)	41	256	-
Disposals	-	(72)	(300)	(372)
At 31 December 2018	-	262	1,785	2,047
Depreciation				
At 1 January 2018	-	272	1,005	1,277
Disposals	-	(52)	(96)	(148)
Depreciation	-	11	129	140
At 31 December 2018	-	231	1,038	1,269
Net book value				
At 31 December 2018	-	31	747	778
At 31 December 2017	19	21	824	864

13 Debtors

	2018 £000	2017 £000
Trade debtors	603	234
Amounts owed by Group undertakings	2,735	1,748
Prepayments and accrued income	947	1,261
Deferred tax asset (see note 17)	45	51
	<u>4,330</u>	<u>3,294</u>
Due within one year	<u>4,330</u>	<u>3,294</u>

14 Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	<u>11,700</u>	<u>11,111</u>

Cash at bank included £11,700,000 (2017: £11,111,000) of funds on deposit with a UK regulated banking entity within the Group.

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

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Notes to the financial statements for the year ended 31 December 2018

15 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans and overdrafts (see note 14)	1,077	497
Amounts owed to Group undertakings	1,007	531
Accruals and deferred income	1,010	591
Taxation and social security	90	97
Other creditors	147	100
	<u>3,331</u>	<u>1,816</u>

16 Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Provision for dilapidations	1,078	1,031
Deferred income: lease incentive	893	1,017
	<u>1,971</u>	<u>2,048</u>

17 Deferred tax assets

Recognised deferred tax assets

	2018	2017
	£000	£000
Tangible fixed assets	34	38
Other	11	13
Tax assets	<u>45</u>	<u>51</u>

Movement in deferred tax

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	38	(4)	34
Other	13	(2)	11
	<u>51</u>	<u>(6)</u>	<u>45</u>

	1 January 2017 £000	Recognised in income £000	31 December 2017 £000
Tangible fixed assets	19	19	38
Other	11	2	13
	<u>30</u>	<u>21</u>	<u>51</u>

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

18 Capital and reserves

Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid 160,000 ordinary shares of £1p each	2	2

19 Operating leases

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

	2018 £000	2017 £000
Expiring within one year	1,055	1,055
Expiring between two and five years	4,220	4,220
Expiring in more than five years	2,354	3,409
	<u>7,629</u>	<u>8,684</u>

The Company leases two floors within an office building in Leeds under operating leases.

During the year £1,055,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £1,055,000).

The Company subleases one of the floors to a third party and receives an annual income of £347,000. At the end of the year the Company expected to receive rental income of £1,390,000 over the remaining term of the lease. As a result of the planned office closure, the Company has recognised a sublease loss provision £406,000, however continues to receive margin support from another BNYM Group entity.

20 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:

	2018			2017		
	Gross amounts £000	Amounts offset £000	Net amounts £000	Gross amounts £000	Amounts offset £000	Net amounts £000
Amounts owed by Group undertakings	2,735	-	2,735	1,748	-	1,748
Amounts owed to Group undertakings	1,007	-	1,007	531	-	531

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2018

21 Transactions involving Directors, officers and others

At 31 December 2018 there were no loans and other transactions made to directors, officers or other related parties of the Company (2017: £nil).

22 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company during the year was BNY International Financing Corporation, a company registered in the United States of America with registered address 240 Greenwich Street, New York, NY 10286.

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 2018 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
240 Greenwich Street
New York, NY
10286
USA