

BNY Mellon Fund Managers Limited

Strategic report, Directors' report and financial statements

Registered number 1998251

31 December 2016

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BNY Mellon Fund Managers Limited

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BNY Mellon Fund Managers Limited

Board of Directors and other information

Directors

G A Brisk

H Lopez

J F Lubran (Non-Executive Director)

D M Turnbull (Chair)

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Registered Office

BNY Mellon Centre

160 Queen Victoria Street

London

EC4V 4LA

Registered Number

1998251

BNY Mellon Fund Managers 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 Fund Managers Limited's ("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.

Financial key performance indicators

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

	2016 £000	2015 £000	Change £000	Change %
Turnover	15,303	15,414	(111)	(1)%
Administrative expenses	11,733	11,830	(97)	(1)%
Net assets	25,739	22,820	2,919	13%
Year end funds under management	35,466,000	33,477,000	1,989,000	6%
Average funds under management	34,790,000	35,751,000	(961,000)	(3)%

The full year average of funds under management decreased in 2016, with the largest contributing strategy being Asian Income driven from net outflows. The second half of 2016 saw global equity markets hit record highs, but on a full year average basis 2016 was lower than 2015.

Net turnover decreased by £111,000 (1%) during the year. This is primarily due to the decrease in funds under management which is impacted by equity market volatility and net flows. Within turnover (Note 2), 2016 has seen a continuation of lower management fees and commissions post the Retail Distribution Review in the UK. Management fee income is generated from daily fund valuations.

Administrative expenses decreased by £97,000 (1%) during the year as result of lower fund accounting and transfer agency fees.

Net assets increased by £2,919,000 (13%) during the year, reflecting current year profit after tax.

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

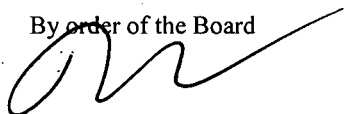
During 2017, the Company will continue to focus on funds under management growth through launching new sub-funds, or sub-fund modifications and servicing existing clients.

BNY Mellon Fund Managers Limited

Strategic report

Approval

By order of the Board



D M Turnbull
Director

BNY Mellon Fund Managers Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

24 April 2017

Registered number: 1998251

BNY Mellon Fund Managers Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activities of the Company is the management and administration of unit trusts and Investment Companies with Variable Capital ("ICVC"). In its role, the Company acts as the Authorised Corporate Director ("ACD") for such products.

The ACD of a fund is responsible for managing and administering the products in accordance with the requirements of the Financial Conduct Authority ("FCA") Handbook and associated UK and EU legislation. The ACD delegates its administration functions to third parties including affiliates in accordance with FCA Regulations. The Company has delegated the investment management of all unit trusts and ICVCs to the following Bank of New York Mellon group companies: Newton Investment Management Limited, Walter Scott & Partners Limited, Insight Investment Management (Global) Limited and The Boston Company Asset Management LLC. Additionally, the administration of the aforementioned products has been delegated to The Bank of New York Mellon (International) Limited and the distribution and operational activities has been delegated to BNY Mellon Investment Management EMEA Limited. The Board regularly reviews the service levels received from these companies to ensure continual delivery of quality to the customer. The Company is authorised by the FCA as a full scope UK Alternative Investment Fund Manager under the EU Alternative Investment Fund Managers Directive.

The Company is authorised and regulated by the FCA. All the Company's activities during the year were 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 £2,919,000 (2015: £2,853,000).

The directors do not recommend a dividend for the year ended 31 December 2016 (2015: £nil).

Risk management

The Company is a non BIPRU limited licence firm and is regulated by the FCA. Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis. At 31 December 2016, surplus regulatory capital, as reflected within the Company's regulatory returns, amounted to £15,429,000 (2015: £12,996,000).

Governance and policies

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

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

Formal governance committees are in place to oversee the design, development and execution of the risk programme to ensure adequate and effective risk management oversight and business controls are in place. Each committee has clearly stated terms of reference and reporting lines. Significant issues arising from these committees may be reported up to the appropriate BNY Mellon governance and/or operating committees.

BNY Mellon Fund Managers Limited

Directors' report

Risk management - continued

Governance and policies - continued

The key committees include:

- **IM EMEA Executive Committee:** The IM EMEA Executive Committee is the senior governance and decision making forum within IM EMEA and is made up of directors and senior managers.
- **Fund Companies Risk and Compliance Committee:** The monthly Management Companies Risk and Compliance Committee is chaired by the Head of Product who is a member of the IM EMEA Executive Committee and attended by representatives from the Risk and Compliance functions, directors of the Board and senior management. The Committee receives a report from the Risk Management functions on current risk issues and activities.

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

Risk management process

The lines of business are responsible for actively identifying the risks associated with their key business processes, business change or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this is to prevent or minimise:

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

The Company utilises the BNY Mellon Operational Risk Platform to facilitate the above. The platform is used to maintain risk and control self-assessments, key risk indicators and tracking of operational risk events. Risk Management works in partnership with the business to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company.

The Risk Appetite at 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. The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the group and in coordination with the relevant business expertise.

Risks associated with the Company's operations are measured through production and assessment of key risk indicators and other analysis, the results of which are formally reported to the RCC on a monthly basis as part of the risk management framework which has been adopted. This includes an analysis of the Company's financial resources against the applicable regulatory capital requirements and the liquidity management framework.

Credit risk

Credit risk covers default risk from counterparties where realisation of the value of the asset is dependent on counterparties' ability to perform.

BNY Mellon Fund Managers Limited

Directors' report

Risk management process - continued

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, deposits and 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.

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>)

Directors

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

	Appointed	Resignation
G A Brisk	-	-
H Lopez	18 February 2016	-
J F Lubran	-	-
D M Turnbull	-	-

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 (2015: £nil).

BNY Mellon Fund Managers Limited

Directors' report

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



D M Turnbull
Director

BNY Mellon Fund Managers Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

24 April 2017

Registered number: 1998251

BNY Mellon Fund Managers 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 judgments 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; 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 Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of BNY Mellon Fund Managers Limited

We have audited the financial statements of BNY Mellon Fund Managers Limited for the year ended 31 December 2016 set out on pages 10 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 an audit of financial statements is provided on the Financial Reporting Council'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 2016 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 matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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.

Alison Allen

Alison Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

25 April 2017

BNY Mellon Fund Managers Limited

Statement of profit and loss for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	2	15,303	15,414
Administrative expenses	3	<u>(11,733)</u>	<u>(11,830)</u>
Operating profit		3,570	3,584
Interest receivable and similar income	5	85	91
Interest payable and similar charges	6	<u>(6)</u>	<u>(98)</u>
Profit before taxation		3,649	3,577
Taxation on profit	7	<u>(730)</u>	<u>(724)</u>
Profit for the financial year		<u><u>2,919</u></u>	<u><u>2,853</u></u>

Notes 1 to 15 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.

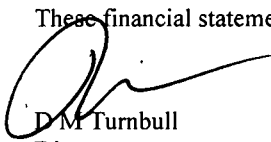
BNY Mellon Fund Managers Limited

Balance sheet at 31 December 2016

	Note	2016 £000	2015 £000
Current assets			
Debtors	8	91,330	70,892
Cash at bank and in hand	9	32,007	19,977
Other assets	10	10,000	10,000
		<u>133,337</u>	<u>100,869</u>
Creditors: amounts falling due within one year	11	(107,598)	(78,049)
Net current assets		<u>25,739</u>	<u>22,820</u>
Net assets		<u>25,739</u>	<u>22,820</u>
Capital and reserves			
Called up share capital	12	1,625	1,625
Share premium		6,000	6,000
Profit and loss account		<u>18,114</u>	<u>15,195</u>
Shareholders' equity		<u>25,739</u>	<u>22,820</u>

Notes 1 to 15 are integral to these financial statements.

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


D M Turnbull
Director

24 April 2017

Company registered number: 1998251

BNY Mellon Fund Managers Limited

Statement of changes in equity

31 December 2016

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	1,625	6,000	12,342	19,967
Profit for the year	-	-	2,853	2,853
Balance at 31 December 2015	1,625	6,000	15,195	22,820

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	1,625	6,000	15,195	22,820
Profit for the year	-	-	2,919	2,919
Balance at 31 December 2016	1,625	6,000	18,114	25,739

Notes 1 to 15 are integral to these financial statements.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("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/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 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 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;
- Disclosure in respect of capital management;
- The effects of new but not yet effective IFRSs; and

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:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and

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

- IFRS 9 *Financial Instruments*, the Company is currently assessing the potential impact of the standard as part of its IFRS 9 project, initiated in 2016, and plans to adopt the new standard when mandatorily effective for annual periods beginning on or after 1 January 2018. Analysis of the application of the classification and measurement requirements of the standard was completed in 2016. Overall, the results show no impact from those requirements on the measurement of in-scope financial instruments for the Company. An IFRS 9 impairment project is currently being implemented. Preliminary analysis of the application of IFRS 9 to the Company has identified no significant impact from the new impairment model;

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

1 Accounting policies - continued

1.1 Basis of preparation and statement of compliance with FRS 101 - continued

- IFRS 15 *Revenue from Contracts with Customers*, the Company is currently assessing the impact of the standard as part of its IFRS 15 project, initiated in 2016, and plans to adopt the new standard when mandatorily effective, for annual periods beginning on or after 1 January 2018. Preliminary analysis of the application of IFRS 15, including contract reviews and disclosure requirements has been performed and no significant areas of impact to the Company's revenue recognition policies were identified.

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 1.14.

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: financial instruments classified as fair value through the statement of profit and loss.

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 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.

1.4 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 with entities which form part of the Group. Balances with other members of the Group are disclosed within notes 5, 9, 11 and 13.

1.5 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.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements

for the year ended 31 December 2016

1 Accounting policies - continued

1.5 Segmental reporting - continued

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.

1.6 Turnover

Revenue, which is stated net of value added tax, comprises management fees, performance fees and the gross profit arising from the sale of units and shares, after deducting discounts, commission, stamp duty and other costs. Turnover is accounted for on an accrual basis.

Management fees are fees paid for the management of investment portfolios. These are recognised as services are provided and are calculated on various formulae linked to the value of portfolios at invoicing dates and investment performance in current and previous periods. Performance fees are 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.

1.7 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. 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.

1.8 Foreign currency

The Company's functional currency is GBP. The Company's presentational currency is also 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 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 statement of profit and loss within interest receivable or payable as appropriate.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

1 Accounting policies - continued

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss 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 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.

1.10 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors 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.

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.

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

A financial asset not carried at fair value through the statement of profit and loss 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit and loss.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

1 Accounting policies - continued

1.12 Offsetting

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

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

1.13 Accounting estimates and judgements

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

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to impairment of investment securities, the valuation of financial instruments 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.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

2 Turnover

By activity

	2016	2015
	£000	£000
Management fees	278,004	305,324
Performance fees	2,224	1,943
Gross sale of units and shares	6,257,813	6,446,882
Total turnover	6,538,041	6,754,149
Net gains/losses on creations/liquidations	1,962,665	4,483,872
Repurchases of units and shares	(8,219,750)	(10,930,634)
Discounts	(740)	(55)
Commissions and other costs	(264,913)	(291,918)
Total cost of sales	(6,522,738)	(6,738,735)
Net turnover	15,303	15,414

3 Expenses and auditor's remuneration

Profit before taxation is stated after charging:

Auditor's remuneration:

	2016	2015
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	40	38
Other assurance services	70	26
	110	64

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

4 Directors' remuneration

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 BNY Mellon group company actually makes the payment to the directors. Previously, only remuneration paid by this Company had been included in the disclosure. The comparatives have therefore been amended.

	2016	2015
	£000	£000
Directors' emoluments	487	134
Amounts receivable under long term incentive schemes	101	56
Company contributions to money purchase pension plans	25	3
Company contributions to defined benefit pension plans	9	5
	<u>622</u>	<u>198</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £518,000 (2015: £133,000), and Company pension contributions of £25,000 (2015: £3,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director received shares under a long term incentive scheme.

	Number of Directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	2	2
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	3	3

5 Interest receivable and similiar income

	2016	2015
	£000	£000
Net foreign exchange gain	27	-
Receivable from external third parties on bank deposits	27	49
Receivable from Group undertaking	31	42
Total interest receivable and similar income	<u>85</u>	<u>91</u>

6 Interest payable and similiar charges

	2016	2015
	£000	£000
Net foreign exchange loss	-	63
Payables on loans from third parties	6	35
Total interest payable and similar charges	<u>6</u>	<u>98</u>

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

7 Taxation

Recognised in the statement of profit and loss

	2016 £000	2015 £000
<i>UK corporation tax</i>		
Current tax on income for the period	730	724
Tax on profit	<u>730</u>	<u>724</u>

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	2,919	2,853
Total tax expense	<u>730</u>	<u>724</u>
Profit excluding taxation	3,649	3,577
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	<u>730</u>	<u>724</u>
Total tax expense	<u>730</u>	<u>724</u>

Factors that may affect current and total tax charge

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was enacted on 26 October 2015 and a further reduction to 17% (effective from 1 April 2020) was enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly.

8 Debtors

	2016 £000	2015 £000
Trade debtors	65,883	44,127
Other debtors	-	85
Prepayments and accrued income	<u>25,447</u>	<u>26,680</u>
	<u>91,330</u>	<u>70,892</u>
Due within one year	<u>91,330</u>	<u>70,892</u>

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

9 Cash at bank and in hand

	2016	2015
	£000	£000
Cash at bank and in hand	32,007	19,977

Cash at bank included £26,997,000 (2015: £13,689,000) 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.

10 Other assets

	2016	2015
	£000	£000
Other assets	10,000	10,000

Under the Prudent Segregation Policy, the Company is required to segregate an amount of its assets in a client money account to ensure its clients are protected from loss in the event of the Company's insolvency. £10,000,000 was transferred into the client money account on 1 June 2015.

11 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank loans and overdrafts (see note 9)	1,321	738
Trade creditors	80,317	60,734
Amounts owed to Group undertakings	25,103	15,832
Accruals and deferred income	181	64
Taxation and social security	676	681
	107,598	78,049

12 Capital and reserves

Share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
1,625,000 Ordinary shares of £1 each	1,625	1,625

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.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2016

13 Offsetting financial assets and financial liabilities

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

	2016			2015		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Due to Group undertakings	28,835	3,732	25,103	19,548	3,716	15,832
Due from Group undertakings	3,732	3,732	-	3,716	3,716	-

14 Related parties

During the year, the Company received income from the 44 funds (2015: 42 funds) it manages and which are classified as related parties. During the year, the Company received £280,228,000 (2015: £307,267,000) in gross management fees and performance fees. As at 31 December 2016 the Company had £25,837,000 receivable from those funds (2015: £26,927,000).

15 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY Mellon Investment Management EMEA Limited, a company registered in England and Wales. BNY Mellon Investment Management EMEA Limited's registered address is 160 Queen Victoria Street, London, EC4V 4LA. Copies of accounts for BNY Mellon Investment Management EMEA 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 2016 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