

**BNY Mellon International Limited
(Formerly Mellon International Limited)**

Directors' report and financial statements

Registered number: 3755033

For the year ended 31 December 2008



BNY Mellon International Limited

Contents

	Pages
Directors' Report	2-4
Statement of Directors' Responsibilities	5
Independent Auditors' Report	6
Profit and Loss Account	7
Balance Sheet	8
Statement of Total Recognised Gains and Losses	9
Notes to the Financial Statements	10-21

BNY Mellon International Limited

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2008.

Principal activity

The principal activity of BNY Mellon International Limited ("the Company") is to act as a holding company for some of the international asset management operations of The Bank of New York Mellon Corporation.

Post balance sheet events

On 29 January 2009, the Company injected £1,000,000 into Blackfriars Asset Management Limited (formerly WestLB Mellon Asset Management (UK) Limited), a wholly-owned subsidiary, purchased during the year ended 31 December 2008.

On 12 August 2009, The Bank of New York Mellon Corporation announced that it had agreed to acquire through the Company, Insight Investment Management Limited from Lloyds Banking Group plc for £235,000,000. Insight Investment Management Limited specialises in liability-driven investment solutions, active fixed-income and alternative products. This acquisition is expected to close in the fourth quarter of 2009.

Results and dividends

The profit for the year after taxation amounted to £8,296,000 (2007: loss of £4,954,000 (*as restated*)).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: £nil).

Business review

The Company's name changed from Mellon International Limited to BNY Mellon International Limited, effective from 3 December 2008.

During the year, the Company paid £61,036,000 relating to the first of two deferred consideration payments for Walter Scott & Partners Limited.

During the year, the Company also paid £11,242,000 consideration in respect of the purchase of 100% of the share capital of WestLB Mellon Asset Management (UK) Limited (renamed Blackfriars Asset Management Limited) from the WestLB Mellon joint venture and injected £6,552,000 into BNY Mellon Asset Management International Holdings Limited for further investment in its subsidiaries.

Prior to 1 July 2008, the Company employed and accounted for all Mellon shared service staff and recharged these costs to the various business lines and entities that benefited from their services. From 1 July 2008, these employment contracts were transferred to The Bank of New York Mellon London Branch. From that date, the Company has continued to account for the costs of those employees on behalf of The Bank of New York Mellon London Branch and to recharge those costs to the various business lines and entities that benefit from their services.

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

	2008 £000	2007 £000 <i>As restated</i>	Change %
Other operating income	31,297	40,278	(22%)
Administrative expenses	41,189	44,691	(8%)
Net assets	507,567	499,020	2%

BNY Mellon International Limited

Directors' report - continued

Other operating income represents the recharge of costs to the various entities that benefit from the services provided by the Company. This recharge has decreased by 22%, reflecting a lower cost recovery during the year. Administrative expenses decreased by 8% during the year, largely reflecting lower staff incentive costs.

Net assets increased by 2% during the year, predominantly due to the current year profit.

Future developments

The Directors believe that the nature of the business of the Company will continue for the foreseeable future.

Risk management

As a holding company, the Company is subject to the principal risks and uncertainties of its main operating subsidiaries, whose business is described in Note 11.

The principal risks and uncertainties of the subsidiaries are Operational, Business and Compliance.

Governance and Policies

Policies and procedures are in place to govern and manage the business of the principal subsidiaries. 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 carried out through regular meetings of the Board of Directors. The Board is responsible for the ongoing success and development of the principal subsidiaries business as well as assisting the risk management framework.

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

The key Group committees include:

1. Asset Liability Management Committee
2. Credit Portfolio Management Committee
3. Market Risk Committee
4. Operational & Technology Risk Committee

Risk Management Process

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

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

BNY Mellon International Limited

Directors' report - continued

Directors

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

	<u>Resignation</u>
J Bassil	-
M A Bryson	27 June 2008
N Chakar	-
S Lipiner	-
J M Little	-
H Morrissey	-
T Robison	31 July 2008
J G Tregoning	-

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 1985. Indemnity provisions of this nature have been in place during the year but have not been utilised by the Directors.

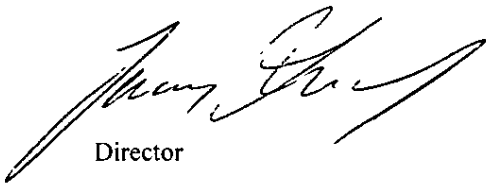
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as each is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc therefore will continue in office.

By order of the Board



Director

160 Queen Victoria Street
London
EC4V 4LA

26 October 2009

BNY Mellon International Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing 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).

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

BNY Mellon International Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNY MELLON INTERNATIONAL LIMITED

We have audited the financial statements of BNY Mellon International Limited for the year ended 31 December 2008, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

30 October 2009

BNY Mellon International Limited

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007* £000 <i>As restated</i>
Other operating income	3	31,297	40,278
Administrative expenses	3	(41,189)	(44,691)
Operating loss		(9,892)	(4,413)
Income from fixed asset investments		33,996	12,979
Net (losses) / gains from current asset investments	6	(4,797)	843
Interest receivable and similar income	7	2,606	1,598
Interest payable and similar charges	8	(26,301)	(24,297)
Loss on ordinary activities before taxation		(4,388)	(13,290)
Tax credit on loss on ordinary activities	9	12,684	8,336
Profit / (loss) for the financial year	19	8,296	(4,954)

* Certain prior year numbers have been reclassified to be consistent with current year presentation, see note 1 to the financial statements on page 11.

Notes 1 to 23 are integral to these financial statements.

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

BNY Mellon International Limited

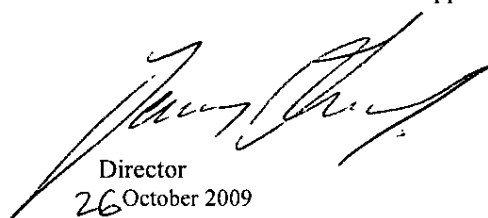
Balance sheet at 31 December 2008

	Notes	2008 £000	2007* £000 <i>As restated</i>
Fixed assets			
Tangible assets	10	4,506	2,710
Investments	11	875,511	850,991
		<u>880,017</u>	<u>853,701</u>
Current assets			
Investments	12	20,172	29,984
Debtors	13	52,387	32,845
Other assets	14	7,308	32
Cash at bank and in hand		<u>31,859</u>	<u>38,450</u>
		111,726	101,311
Creditors: amounts falling due within one year	15	<u>(104,831)</u>	<u>(89,724)</u>
Net current assets		<u>6,895</u>	<u>11,587</u>
Total assets less current liabilities		886,912	865,288
Creditors: amounts falling due after more than one year	16	(323,711)	(262,674)
Provisions for liabilities and charges	17	<u>(55,634)</u>	<u>(103,594)</u>
Net assets		<u>507,567</u>	<u>499,020</u>
Capital and reserves			
Called-up share capital	19	459,680	459,680
Share premium	20	20,587	20,587
Other reserves	20	(100)	(351)
Profit and loss account	20	<u>27,400</u>	<u>19,104</u>
Shareholders' funds	20	<u>507,567</u>	<u>499,020</u>

* Certain prior year numbers have been reclassified to be consistent with current year presentation, see note 1 to the financial statements on page 11.

Notes 1 to 23 are integral to these financial statements.

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


Director
26 October 2009

BNY Mellon International Limited

Statement of total recognised gains and losses at 31 December 2008

	Notes	2008 £000	2007 £000 <i>As restated</i>
Profit / (loss) for the financial year		8,296	(4,954)
Unrealised loss on available for sale asset	13,19	-	(258)
Deferred tax on unrealised loss on available for sale asset	19	-	73
Transfer unrealised loss to income statement on disposal	13,19	258	-
Release of deferred tax on unrealised loss on available for sale asset	19	(73)	-
Total gains / (losses) relating to the financial year		<u>8,481</u>	<u>(5,139)</u>
Prior year adjustment (see note 1)		(6,737)	
Total gains / (losses) recognised since last annual report		<u>1,744</u>	

Notes 1 to 23 are integral to these financial statements.

BNY Mellon International Limited

Notes to the financial statements At 31 December 2008

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except where impacted by the prior period adjustment (see below).

Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with applicable UK accounting standards and under the historical cost accounting rules.

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare Group financial statements, as the Company and all of its subsidiary undertakings are included in consolidated accounts for a larger Group drawn up to the same date. The smallest and the largest Group in which its results are consolidated are the Mellon International Holdings S.Á.R.L. and the Bank of New York Mellon Corporation respectively. These financial statements present information about the Company as an individual undertaking and not about its Group.

The Company is exempt from FRS29 disclosures on the grounds that it is a subsidiary undertaking, 90% or more of whose voting rights are controlled within the Group, and the publicly available consolidated financial statements of Mellon International Holdings S.Á.R.L. will include FRS29 disclosures in respect of the Company.

Prior period adjustment

The terms of the acquisition of Walter Scott & Partners Limited ("WSPL") in October 2006 catered for two deferred consideration payments to be made based on the percentage annual compound growth rate in revenues of WSPL from October 2006 until 31 December 2007 (the first payment) and from October 2006 until 31 December 2009 (the second payment).

In its financial statements for the year ended 31 December 2006 and 31 December 2007, the Company did not include within provisions any amount in respect of its best estimate of deferred consideration arising out of the WSPL transaction. This was not in accordance with the requirements of FRS 7 (Fair values in acquisition accounting).

The above has been corrected in the current year by way of a prior period adjustment and as a result the comparative period figures have been restated as set out below.

At the time of the original deal approval in October 2006, the first deferred consideration payment was estimated as being £49,500,000 and the second deferred consideration payment was estimated as £66,500,000. During the year ended 31 December 2008, the first payment was determined to be £61,036,000 and was settled with the vendor, and the second payment was re-estimated as being £62,130,000.

The restatement required has decreased the Company's profit for the year ended 31 December 2007 by £5,390,000, representing a charge for the unwinding of the discount on the deferred payment that is included within interest payable and similar charges and an associated taxation credit. The effect of applying the correct accounting treatment on the Company's profit for the year ended 31 December 2008 was £4,282,000.

The brought forward retained earnings balance as at 1 January 2007 has been restated by £1,347,000, representing the cumulative unwinding of the discount and an associated taxation credit in respect of the year end 31 December 2006. The effect on brought forward retained earnings as at 1 January 2008 is a restatement of £6,737,000.

The effect of this restatement on the Company's balance sheet as at 31 December 2007 was to increase the fixed asset investment value by £93,972,000 with a corresponding increase in provisions of £103,594,000. Additionally, the corporation tax group relief balance disclosed within debtors as at 31 December 2007 increased by £2,887,000. Reserves as at 31 December 2007 decreased by £5,390,000.

The impact on 2007 is summarised below:

BNY Mellon International Limited

Notes to the financial statements - continued At 31 December 2008

Summary of prior period adjustment		2007 £000
Profit for the year	Decrease	5,390
Fixed asset investment	Increase	93,972
Debtors: corporation tax group relief	Increase	2,887
Provisions	Increase	103,594
Retained earnings: brought forward	Decrease	1,347
Retained earnings: carried forward	Decrease	6,737

Reclassification

Certain prior year numbers have been reclassified to be consistent with current year presentation. Foreign exchange gains and losses (previously reported within administrative expenses) are now disclosed within interest receivable and similar income or interest payable and similar charges. The inter-company recharge within other operating income is now disclosed on a gross basis.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any permanent diminution in value.

Current asset investments

Seeding investments in funds are stated at fair value as at the balance sheet date, and the unrealised gains and losses arising from changes in valuation are taken to the profit and loss account.

Current asset investments that are classified as available for sale have their unrealised gains and losses taken to reserves, and these are shown in the Statement of Recognised Gains and Losses.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold property and improvements	-	over life of lease
Office fixtures and fittings	-	10 years
Computer and office equipment	-	4 years

Derivative financial instruments

Initial recognition and subsequent measurement

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

BNY Mellon International Limited

Notes to the financial statements - continued **At 31 December 2008**

Foreign currencies

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

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Interest, fees and commission

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

Taxation

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity.

Post retirement benefits

For defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. For final salary (defined benefit) schemes the cost of providing pensions is accounted for over the employees' working lives on a systematic basis as advised by qualified actuaries.

Loans

Loans are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest method. Impairment losses, if applicable, are deducted from loans.

Related party transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions within the Group on the grounds that more than 90% of the voting rights are controlled within the Group and the consolidated financial statements of the ultimate parent company are publicly available.

Cash flow statement

The Company was a wholly-owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, for the year ended 31 December 2008, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

BNY Mellon International Limited

Notes to the financial statements - continued At 31 December 2008

2. Notes to the profit and loss account

Operating loss on ordinary activities before taxation is stated after charging:

	2008 £000	2007 £000
Depreciation of tangible fixed assets	880	780
Auditors' remuneration:		
Audit of these financial statements pursuant to legislation	17	15
Audit of financial statements of subsidiaries pursuant to legislation	-	22
Other services pursuant to legislation	-	30
	<u>17</u>	<u>67</u>

3. Staff costs

	2008 £000	2007* £000
Salaries and wages	12,193	28,054
Social security costs	1,547	2,525
Pension costs	1,329	2,444
Other staff costs	759	2,440
Other administrative costs	25,361	9,228
Administrative expenses	<u>41,189</u>	<u>44,691</u>
Inter-company recharges	31,297	40,278
Other operating income	<u>31,297</u>	<u>40,278</u>

* Certain prior year numbers have been reclassified to be consistent with current year presentation, see note 1 to the financial statements on page 11.

The average monthly number of persons employed by the Company during the year was 329 (2007: 348), of which 6 were Directors (2007: 8).

Prior to 1 July 2008, the Company employed and accounted for all Mellon shared service staff and recharged these costs to the various business lines and entities that benefited from their services. From 1 July 2008, these employment contracts were transferred to The Bank of New York Mellon London Branch. From that date, the Company has continued to account for the costs of those employees on behalf of The Bank of New York Mellon London Branch and to recharge those costs to the various business lines and entities that benefit from their services. From 1 July 2008, those costs, amounting to £17,015,000 have been classified above as 'Other administrative costs'.

4. Directors' emoluments

	2008 £000	2007 £000
Directors' emoluments	657	1,263
Amounts receivable under long term incentive schemes	186	194
Company contributions to money purchase pension schemes	<u>7</u>	<u>6</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £595,000 (2007: £248,000) and Company pension contributions of £7,000 (2007: £6,000) were made to a money purchase scheme on their behalf.

BNY Mellon International Limited

Notes to the financial statements - continued At 31 December 2008

	Number of Directors	
	2008	2007
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	1	1
Defined benefit schemes	2	4

The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes was	-	3
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No Directors exercised share options in the ultimate parent company, The Bank of New York Mellon Corporation, during the year (2007: 2 directors).

5. Pensions costs

Effective from 1 July 2008, all employee contracts were transferred to The Bank of New York Mellon London Branch.

Until the date of transfer, the Company contributed to a defined contribution scheme in the United Kingdom. The total pension cost for the Company in respect of the year to 31 December 2008 was £1,329,000 (2007: £2,444,000). At the year-end, contributions of £nil were payable to the scheme and are included in creditors (2007: £40,570). From 1 July 2008, the Company has continued to record these pension costs and allocate them to the various lines of business and entities that benefit from the services of the associated employees.

The Company participated in a multi-employer defined benefit scheme where the contributions of the Group are affected by a surplus or deficit in the scheme. However, the actuaries have confirmed that they are unable to identify the share of the underlying assets and liabilities in the scheme that can be allocated to the Company on a consistent and reasonable basis. As allowed by FRS 17, the Company has accounted for the contributions to the scheme as if it were a defined contribution scheme. The defined benefit pension scheme costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method. The latest actuarial valuation carried out as at 31 December 2008 showed a deficit of £24.9 million in the scheme (2007: deficit £26.5 million). Contributions to the fund were determined at the rate of approximately 20% of pensionable salaries, depending on member category.

6. Net (losses) / gains on current asset investments

	2008 £000	2007 £000
Net (losses) / gains on current asset investments	(4,797)	843

7. Interest receivable and similar income

	2008 £000	2007* £000
Interest on short-term deposits	1,174	1,598
Net foreign exchange gains	1,432	-
	2,606	1,598

* Certain prior year numbers have been reclassified to be consistent with current year presentation, see note 1 to the financial statements on page 11.

BNY Mellon International Limited

Notes to the financial statements - continued At 31 December 2008

8. Interest payable and similar charges

	2008 £000	2007* £000 <i>As restated</i>
Interest payable to Group undertakings	20,313	15,999
Unwinding of discount on provisions	5,988	7,698
Net foreign exchange losses	-	31
Other interest payable	-	569
	<u>26,301</u>	<u>24,297</u>

* Certain prior year numbers have been reclassified to be consistent with current year presentation, see note 1 to the financial statements on page 11.

Details of the restatement to prior period figures are provided in note 1 to the financial statements on page 10.

9. Taxation

	2008 £000	2007 £000 <i>As restated</i>
Taxation is based on profit before tax for the year and comprises:		
- Current corporation tax credit for the year at 28.5% (2007: 30%)	10,419	9,333
- Adjustments in respect of prior periods:		
- UK corporation tax	1,590	501
Total current tax credit	12,024	9,834
Deferred tax (refer note 13)	660	(1,498)
Total tax credit for the year	<u>12,684</u>	<u>8,336</u>

The UK standard rate of corporation tax changed from 30% to 28% from 1 April 2008 (2007: 30%). The current corporation tax credit for the year is lower (2007: lower) than the standard rate of tax for the year, for the reasons set out in following reconciliation:

	2008 £000	2007 £000 <i>As restated</i>
Loss on ordinary activities before tax	(4,388)	(13,290)
Tax credit on profit on ordinary activities at standard rate	1,251	3,987
Factors affecting tax charge:		
- Disallowable expenses	(729)	(44)
- Capital allowance in excess of depreciation	246	(117)
- Dividend income in the year not taxable	9,688	3,894
- Adjustments in respect of prior periods	1,590	501
- Other short-term timing differences	(22)	1,613
Current corporation tax credit for year	<u>12,024</u>	<u>9,834</u>

Details of the restatement to prior period figures are provided in note 1 to the financial statements on page 10.

BNY Mellon International Limited

Notes to the financial statements - continued

At 31 December 2008

10. Tangible fixed assets

	Short-term leasehold property and improvements £000	Office fixtures and fittings £000	Computer and office equipment £000	Total £000
Cost:				
At 1 January 2008	1,123	876	2,071	4,070
Additions	-	-	2,704	2,704
Disposals	-	-	(27)	(27)
At 31 December 2008	1,123	876	4,748	6,747
Depreciation:				
At 1 January 2008	243	190	928	1,361
Charge for the year	113	87	680	880
At 31 December 2008	356	277	1,608	2,241
Net book amount:				
At 31 December 2008	767	599	3,140	4,506
At 31 December 2007	880	686	1,144	2,710

11. Fixed asset investments

	Subsidiary undertakings £000 <i>As restated</i>
Cost:	
At 1 January 2008	850,991
Additions	24,520
At 31 December 2008	875,511

Additions during the year included £7,087,000 relating to a revised estimate of the deferred consideration payments for WSPL, £11,242,000 consideration in respect of the purchase of WestLB Mellon Asset Management (UK) Limited (renamed Blackfriars Asset Management Limited) from the WestLB Mellon joint venture and £6,552,000 injected into BNY Mellon Asset Management Holdings Limited for further investment in its subsidiaries.

Details of the restatement to prior period figures are provided in note 1 to the financial statements on page 10.

BNY Mellon International Limited

Notes to the financial statements - continued At 31 December 2008

Name of principal subsidiary undertaking	Country of incorporation or registration	Principal activities	Shares held	Number of shares held	Proportion of nominal value of issued shares held directly by the Company
BNY Mellon Asset Management International Holdings Limited	England & Wales	Holding company	Ordinary £1 shares	52,418,000	100%
			Ordinary €1 shares	96,591,306	
			Ordinary \$1 shares	23,200,000	
Newton Management Limited	England & Wales	Holding company	Ordinary £1 shares	12,539,902	100%
Mellon Global Alternative Investments Limited	England & Wales	Investment management	Ordinary £1 shares	3,750,000	100%
Pareto Investment Management Limited	England & Wales	Investment management	Ordinary \$1 shares	12,346,907	100%
			Ordinary £1 shares	2	
Walter Scott & Partners Limited	Scotland	Investment management	Ordinary £1 shares	25,126	100%
Blackfriars Asset Management Limited (formerly WestLB Mellon Asset Management (UK) Limited)	England & Wales	Investment management	Ordinary £1 shares	25,500,000	100%

12. Current asset investments

	2008 £000	2007 £000
Quoted investments:		
BNY Mellon Global Funds Plc	15,898	12,473
BNY Mellon International Funds	2,990	3,258
BNY Mellon Bond and Currency Funds	951	13,409
Other listed investments	333	844
	<u>20,172</u>	<u>29,984</u>

All current asset quoted investments are carried at fair value. Valuation movements on these investments are recognised through the profit and loss account. In the prior year, one investment was classified as an available for sale investment, with valuation movements recorded in the Statement of Total Recognised Gains and Losses.

BNY Mellon International Limited

Notes to the financial statements - continued

At 31 December 2008

13. Debtors

	2008 £000	2007 £000 <i>As restated</i>
Due from fellow Group undertakings	36,522	25,544
Corporation tax group relief	7,547	4,613
Prepayments and accrued income	2,152	658
Other debtors *	5,391	1,842
Deferred tax assets (refer below)	775	188
	<u>52,387</u>	<u>32,845</u>

* Other debtors predominantly relates to VAT.

Details of the restatement to prior period figures are provided in note 1 to the financial statements on page 10.

Deferred tax is made up of the following:

	2008 £000	2007 £000
At 1 January	188	(288)
Profit and loss charge	660	(1,498)
Other movements	-	1,901
(Release) / charge relating to unrealised loss on available for sale asset	(73)	73
At 31 December	<u>775</u>	<u>188</u>

Deferred tax has been recognised in full. The major components of deferred tax are as follows:

	2008 £000	2007 £000
Excess of depreciation over capital allowances	753	115
Share based payments	22	-
Unrealised loss on available for sale asset	-	73
	<u>775</u>	<u>188</u>

14. Other assets

	Projects in progress £000
Cost:	
At 1 January 2008	32
Additions	7,276
At 31 December 2008	<u>7,308</u>

Other assets relate to the capitalised cost of software development work-in-progress projects.

BNY Mellon International Limited

Notes to the financial statements - continued

At 31 December 2008

15. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank overdraft	15	1,152
Trade creditors	731	1,142
Loans from fellow Group undertakings	54,882	61,285
Due to fellow Group undertakings	39,325	17,138
Accruals and deferred income	9,878	9,007
	<u>104,831</u>	<u>89,724</u>

Loans from fellow Group undertakings are either repayable on demand or within one month and carry a LIBOR based variable rate of interest, plus a margin, which ranges between 30 to 50 basis points.

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

	2008 £000	2007 £000
Loans from fellow Group undertakings	<u>323,711</u>	<u>262,674</u>

Loans from fellow Group undertakings consist of £35,074,000 payable in 2011 with a fixed interest rate of 6.375 % p.a., £227,600,000 payable in 2016 with a fixed interest rate of 5.429 % p.a. and £61,036,349 payable in 2018 with an HBOS variable base rate of interest, plus a 20 basis point margin.

17. Provisions for liabilities and charges

	2008 £000	2007 £000
As at 1 January	103,594	<i>As restated</i> 95,896
Utilised during the year	(61,036)	-
Charged during the year	13,076	7,698
As at 31 December	<u>55,634</u>	<u>103,594</u>

Provisions carried on the balance sheet relate to two WSPL deferred consideration payments. The first payment was settled during the year ended 31 December 2008 for £61,036,000, whilst the second payment is expected to be settled during the year ending 31 December 2010.

Details of the restatement to prior period figures are provided in note 1 to the financial statements on page 10.

18. Financial instruments

As at 31 December 2008, the Company had derivative financial instruments as follows: a forward foreign exchange contract to sell €4,000,000 against Sterling on 31 January 2009 at a rate of €0.9793/ £1 and a forward foreign exchange contract to buy \$14,000,000 against Sterling on 31 January 2009 at a rate of \$1.4677/£1. As at 31 December 2008, the fair value of these financial instruments was £nil.

As at 31 December 2007, the Company had derivative financial instruments as follows: a forward foreign exchange contract to sell €4,000,000 against Sterling on 31 January 2008 at a rate of €0.735/ £1. As at 31 December 2007, the fair value of this financial instrument was £nil.

BNY Mellon International Limited

Notes to the financial statements - continued At 31 December 2008

19. Share capital

	2008 £000	2007 £000
Authorised		
356,768,754 ordinary shares of £1 each	356,769	356,769
134,973,485 ordinary shares of \$1 each	71,523	71,523
60,000,000 ordinary shares of €1 each	41,751	41,751
	<u>470,043</u>	<u>470,043</u>
Allotted, called up and fully paid		
354,364,046 ordinary shares of £1 each	354,364	354,364
133,173,485 ordinary shares of \$1 each	70,548	70,548
49,998,944 ordinary shares of €1 each	34,768	34,768
	<u>459,680</u>	<u>459,680</u>

20. Movement in reserves

	Share capital account £000	Share premium account £000	Profit & loss account £000	Other reserves £000	Total £000
2008					
At 1 January as previously reported	459,680	20,587	25,841	(351)	505,757
Prior period adjustment	-	-	(6,737)	-	(6,737)
As restated	459,680	20,587	19,104	(351)	499,020
Available for sale loss transferred to the income statement on disposal	-	-	-	185	185
Other movements	-	-	-	66	66
Profit for the financial year	-	-	8,296	-	8,296
At 31 December	<u>459,680</u>	<u>20,587</u>	<u>27,400</u>	<u>(100)</u>	<u>507,567</u>
2007					
At 1 January as previously reported	457,762	20,587	25,405	-	503,754
Prior period adjustment	-	-	(1,347)	-	(1,347)
As restated	457,762	20,587	24,058	-	502,407
New share capital issued	1,918	-	-	-	1,918
Available for sale unrealised loss net of deferred tax	-	-	-	(185)	(185)
Other movements	-	-	-	(166)	(166)
Loss for the financial year	-	-	(4,954)	-	(4,954)
At 31 December	<u>459,680</u>	<u>20,587</u>	<u>19,104</u>	<u>(351)</u>	<u>499,020</u>

Details of the restatement to prior period figures are provided in note 1 to the financial statements on page 10.

BNY Mellon International Limited

Notes to the financial statements - continued

At 31 December 2008

21. Transactions involving Directors, officers and others

At 31 December 2008 there were no loans and other transactions made to Directors and Officers of the Company (2007: £nil).

22. Post balance sheet events

On 29 January 2009, the Company injected £1,000,000 into Blackfriars Asset Management Limited (formerly WestLB Mellon Asset Management (UK) Limited), a wholly-owned subsidiary, purchased during the year ended 31 December 2008.

On 12 August 2009, The Bank of New York Mellon Corporation announced that it had agreed to acquire through the Company, Insight Investment Management Limited from Lloyds Banking Group plc for £235,000,000. Insight Investment Management Limited specialises in liability-driven investment solutions, active fixed-income and alternative products. This acquisition is expected to close in the fourth quarter of 2009.

23. Parent company

The immediate parent of the Company is Mellon International Holdings S.Á.R.L, a company incorporated in Luxembourg. Copies of accounts for Mellon International Holdings S.Á.R.L can be obtained from:

The Secretary
ATC Corporate Services (Luxembourg) S.A.
13-15 Avenue de la Liberté
1931
Luxembourg

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

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