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## **BNYM GIS (UK) Funding II LLC**

Strategic report, Managers' report and financial statements

Registered number FC030297

31 December 2016



# **BNYM GIS (UK) Funding II LLC**

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# **BNYM GIS (UK) Funding II LLC**

## **Board of Managers and other information**

### **Managers**

G J Cohen

J W Jack

### **Secretary**

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

### **UK Establishment**

BNYM GIS (UK) Funding II LLC

160 Queen Victoria Street

London

EC4V 4LA

### **Registered Office**

225 Liberty Street

New York

NY 10286

United States of America

### **Registered Number**

FC030297

# **BNYM GIS (UK) Funding II LLC**

## **Strategic report**

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of BNYM GIS (UK) Funding II LLC ("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 as a funding company during the year.

### **Financial key performance indicators**

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

	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>%</b>
Administrative expenses	3	-	(3)	100%
Dividend income	26,259	39,952	(13,693)	(34)%
Interest payable	26,320	37,574	(11,254)	(30)%
Net assets	370,209	370,030	179	0%

Dividend income decreased by \$13,639,000 (34%) due to the reduction in the investment in BNYM GIS Funding III LLC during the previous year.

Interest payable decreased by \$11,254,000 (30%) due to the reduction in the loan from GIS Funding I LLC during the previous year.

Net assets increased by \$179,000 (0%) during the year due to the profit for the year.

### **Principal risks and uncertainties**

The principal risks and uncertainties affecting the business have been considered and addressed in the Managers' report on pages 3 to 5.

### **Business and future developments**

As noted in the Managers' report, a process was initiated to dissolve this Company in 2017.

### **Approval**

By order of the Board



J W Jack  
Manager

BNYM GIS (UK) Funding II LLC  
160 Queen Victoria Street  
London  
EC4V 4LA

Date: 22 May 2017

Registered number: FC030297

# **BNYM GIS (UK) Funding II LLC**

## **Managers' report**

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

### **Principal activities**

The Company is a funding company that holds investments (via a single subsidiary that acts as an intermediary holding company) in two operating companies that are involved in the provision of trustee and administration services.

### **Results and dividends**

The profit for the year after taxation amounted to \$179,000 (2015: \$2,400,000).

The managers do not recommend a dividend for the year ended 31 December 2016 (2015: \$nil).

### **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 Managers. The Board is responsible for the ongoing success and development of the Company's business.

#### **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 detailed self-assessment is to prevent or minimise:

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

Risk management works in partnership with the business to ensure that there is an 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 tolerance is commensurate with local business and regulatory requirements, within the guidance set by the Group and in coordination with the relevant business expertise.

#### ***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.

# **BNYM GIS (UK) Funding II LLC**

## **Managers' report - continued**

### ***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 borrowings, and interest rate exposure on cash balances, deposits and borrowings. The Company has limited exposure to market risk.

#### ***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. The Company manages any operational risk exposure that may arise through the risk governance and policies outlined on page 3.

#### ***Liquidity risk***

Liquidity risk is the risk that a Company, 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. The Company has limited exposure to liquidity risk.

#### ***Business risk***

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

#### ***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 Company and its executors to fines, payment of damages, the voiding of contracts and damaged reputation. The Company manages any compliance risk exposure that may arise through the risk governance and policies outlined on page 3.

### **Managers**

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

	<b>Appointed</b>	<b>Resignation</b>
G J Cohen	-	-
J W Jack	-	-
J M Johnston	-	31 March 2017

### **Managers' indemnity provision**

The Limited Liability Company Agreement of the Company (the "Agreement") provides that in certain circumstances the managers are entitled to be indemnified by the Company against all expenses and liability incurred by them in connection with any actual or threatened claim, action, suit or proceeding by virtue of them being a manager of the Company as more particularly set out in the Agreement. Indemnity provisions of this nature have been in place during the year but have not been utilised by the managers (2015: none utilised).

## **BNYM GIS (UK) Funding II LLC**

### **Managers' report - continued**

#### **Post balance sheet events**

In January 2017, the managers accepted an additional capital contribution of \$680,000,000 in exchange for \$680,000,000 common shares by way of releasing the Company from its obligation to repay the loan from the Company's parent. In February 2017, a process was initiated to dissolve the Company. Liquidating distributions of the fixed asset investment and surplus cash were made out of the Company's paid in capital and retained earnings. The Company will be formally cancelled once all of the Company's affairs have been concluded at a later date.

With effect from 1 March 2017 the Company's immediate parent undertaking changed from BNYM GIS Funding I LLC to The Bank of New York Mellon.

By order of the Board



J W Jack  
Manager

BNYM GIS (UK) Funding II LLC  
160 Queen Victoria Street  
London  
EC4V 4LA

Date: 22 May 2017

Registered number: FC030297

## **BNYM GIS (UK) Funding II LLC**

### **Statement of managers' responsibilities in respect of the Strategic report, the Managers' report and the financial statements**

The managers are responsible for preparing the Strategic report, the Managers' report and the financial statements in accordance with applicable law and regulations.

Company law requires the managers 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 FRS101: *Reduced Disclosure Framework*.

Under company law, the managers 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 managers 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The managers 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.



## BNYM GIS (UK) Funding II LLC

### Statement of profit and loss

for the year ended 31 December 2016

		2016	2015
	Note	\$000	\$000
Administrative expenses		(3)	-
<b>Operating loss</b>		(3)	-
Income from shares in group undertakings	3	26,259	39,952
Interest receivable and similar income	4	243	22
Interest payable and similar charges	5	(26,320)	(37,574)
<b>Profit on ordinary activities before tax</b>		179	2,400
Taxation	6	-	-
<b>Profit for the financial year</b>		<u>179</u>	<u>2,400</u>

Notes 1 to 14 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.

## BNYM GIS (UK) Funding II LLC

### Balance sheet

at 31 December 2016

	Note	2016 \$000	2015 \$000
<b>Fixed assets</b>			
Fixed asset investment	7	-	1,030,000
		<u>-</u>	<u>1,030,000</u>
<b>Current assets</b>			
Debtors	8	1	1
Current asset investment	7	1,030,000	-
Cash at bank and in hand	9	20,210	20,136
		<u>1,050,211</u>	<u>20,137</u>
Creditors: amounts falling due within one year	10	(680,002)	(107)
Net current assets		<u>370,209</u>	<u>20,030</u>
 Total assets less current liabilities		 370,209	 1,050,030
 Creditors: amounts falling due after more than one year	11	 -	 (680,000)
Net assets		<u>370,209</u>	<u>370,030</u>
 <b>Capital and reserves</b>			
Called up share capital	12	350,000	350,000
Profit and loss account		<u>20,209</u>	<u>20,030</u>
Shareholders' equity		<u>370,209</u>	<u>370,030</u>

Notes 1 to 14 are integral to these financial statements.

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



J W Jack  
Manager

Date:

Registered number: FC030297

## BNYM GIS (UK) Funding II LLC

### Statement of changes in equity

31 December 2016

	<b>Called up Share capital \$000</b>	<b>Profit and loss account \$000</b>	<b>Total equity \$000</b>
Balance at 1 January 2015	350,000	17,630	367,630
Profit for the year	-	2,400	2,400
<b>Balance at 31 December 2015</b>	<b>350,000</b>	<b>20,030</b>	<b>370,030</b>

	<b>Called up Share capital \$000</b>	<b>Profit and loss account \$000</b>	<b>Total equity \$000</b>
Balance at 1 January 2016	350,000	20,030	370,030
Profit for the year	-	179	179
<b>Balance at 31 December 2016</b>	<b>350,000</b>	<b>20,209</b>	<b>370,209</b>

Notes 1 to 14 are integral to these financial statements.

# BNYM GIS (UK) Funding II LLC

## 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 incorporated in the United States and managed in the UK.

These financial statements were prepared in accordance with FRS 101 *Reduced Disclosure Framework*.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings 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 <https://www.bnymellon.com/us/en/investor-relations>. Accordingly, the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Accordingly, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In 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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosure in respect of capital management;
- The effects of new but not yet effective IFRSs.

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

#### 1.2 Exemption from preparation of group financial statements

As noted in section 1.1 above, the Company's ultimate parent company includes the Company in its consolidated financial statements, which are prepared under a basis equivalent to Adopted IFRS. Accordingly, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company and all its subsidiary undertakings are included in the consolidated financial statements for a larger group drawn up for the same date in a manner equivalent to that prescribed by the EU Seventh Directive (83/349/EEC). Therefore, these financial statements present information about the Company as an individual undertaking and not about its group.

#### 1.3 Measurement convention

These financial statements are prepared on the historical cost basis.

# **BNYM GIS (UK) Funding II LLC**

## **Notes to the financial statements - continued** **for the year ended 31 December 2016**

### **1 Accounting policies - continued**

#### **1.4 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. In addition, the Managers' report on pages 3 to 5 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 had adequate liquidity and capital during the year. As described in note 13, events took place after the balance sheet date and these events have been taken into account when preparing these financial statements.

#### **1.5 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 7, 8, 9, 10 and 11.

#### **1.6 Interest receivable and interest payable**

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

#### **1.7 Taxation**

Tax on the profit or loss for the year comprises of current 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.

# BNYM GIS (UK) Funding II LLC

## Notes to the financial statements - continued for the year ended 31 December 2016

### 1 Accounting policies - continued

#### 1.8 Foreign currency

The Company's functional currency is US Dollar. The Company's presentational currency is also US Dollar. 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 receivable or payable.

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.

#### 1.9 Cash at bank and in hand

Cash at bank and in hand comprise cash balances and call deposits.

#### 1.10 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 in subsidiaries. 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 Managers emoluments

The managers did not receive any remuneration for their services in respect of the Company (2015:\$nil).

### 3 Income from fixed asset investments

	2016	2015
	\$000	\$000
Income from shares in Group undertakings	26,259	39,952
	<u>26,259</u>	<u>39,952</u>

# BNYM GIS (UK) Funding II LLC

## Notes to the financial statements - continued for the year ended 31 December 2016

### 4 Interest receivable and similar income

	2016	2015
	\$000	\$000
Receivable from Group undertaking	243	22
Total interest receivable and similar income	243	22

### 5 Interest payable and similar charges

	2016	2015
	\$000	\$000
Payable to Group undertaking	26,320	37,574
Total interest payable and similar charges	26,320	37,574

### 6 Taxation

#### *Reconciliation of effective tax rate*

	2016	2015
	\$000	\$000
Profit for the year	179	2,400
Profit excluding taxation	179	2,400
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	36	486
Tax exempt revenues	(5,252)	(8,090)
Losses surrendered to other group entities	5,216	7,604
Total tax expense	-	-

#### *Factors that may affect current and total tax charge*

A reduction in the UK corporation tax rate from 20% to 19% (effective 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. These reductions will reduce the Company's future tax charge accordingly.

## BNYM GIS (UK) Funding II LLC

### Notes to the financial statements - continued for the year ended 31 December 2016

#### 7 Fixed/current asset investment

	Subsidiaries \$000
<b>Cost</b>	
At 1 January 2016	1,030,000
At 31 December 2016	<u>1,030,000</u>
<b>Net book value</b>	
At 31 December 2016	<u>1,030,000</u>
At 31 December 2015	<u>1,030,000</u>

#### *Subsidiaries*

The Company has the following investments in subsidiaries:

	Country of incorporation	Registered office	Principal activity	Class of shares held	Ownership 2016	Ownership 2015
BNYM GIS Funding III LLC	United States of America	1209 Orange Street Wilmington DE 19081	Holding company with two subsidiaries; BNY Mellon IS Trust Co. and BNY Mellon IS (US) Inc	Preference	84%	84%

Management have conducted an impairment review of the carrying value of the investment based on the net asset values and forecast cash flows of the underlying subsidiaries and concluded that no impairment exists at the balance sheet date.

The investment in subsidiaries as at 31 December 2016 has been classed as a current asset rather than a fixed asset due to the post balance sheet realisation of the asset, see note 13.

#### 8 Debtors

	2016 \$000	2015 \$000
Accrued interest from Group undertakings	<u>1</u>	<u>1</u>
Due within one year	<u>1</u>	<u>1</u>



# BNYM GIS (UK) Funding II LLC

## Notes to the financial statements - continued for the year ended 31 December 2016

### 9 Cash at bank and in hand

	2016	2015
	\$000	\$000
Cash at bank and in hand	20,210	20,136
	<u>20,210</u>	<u>20,136</u>

This balance represents deposits held with a UK regulated bank branch within the BNY Mellon group.

### 10 Creditors: amounts falling due within one year

	2016	2015
	\$000	\$000
Loan from parent undertaking	680,000	-
Amounts owed to Group undertakings	2	107
	<u>680,002</u>	<u>107</u>

The loan notes were capitalised in January 2017. As noted in the Managers' report, this was done as part of the process to dissolve the Company in 2017. The loan notes had a fixed rate of 3.86%.

### 11 Creditors: amounts falling due after more than one year

	2016	2015
	\$000	\$000
Loan from parent undertaking	-	680,000

The loan notes were capitalised in January 2017. As noted in the Managers' report, this was done as part of the process to dissolve the Company in 2017. The loan notes had a fixed rate of 3.86%.

### 12 Capital and reserves

#### *Share capital*

	2016	2015
	\$000	\$000
Allotted, called up and fully paid		
350,000,000 Ordinary shares of \$1 each	<u>350,000</u>	<u>350,000</u>

## **BNYM GIS (UK) Funding II LLC**

### **Notes to the financial statements - continued** **for the year ended 31 December 2016**

#### **13 Subsequent event**

In January 2017, the managers accepted an additional capital contribution of \$680,000,000 in exchange for \$680,000,000 common shares by way of releasing the Company from its obligation to repay the loan from the Company's parent. In February 2017, a process was initiated to dissolve the Company. Liquidating distributions of the fixed asset investment and surplus cash were made out of the Company's paid in capital and retained earnings. The Company will be formally cancelled once all of the Company's affairs have been concluded at a later date.

With effect from 1 March 2017 the Company's immediate parent undertaking changed from BNYM GIS Funding I LLC to The Bank of New York Mellon.

#### **14 Ultimate parent company and parent company of larger group**

The immediate parent undertaking of the Company during the year was BNYM GIS Funding I LLC, a company registered in United States of America with registered address 1209 Orange Street, Wilmington, DE 19801. With effect from 1 March 2017 the Company's immediate parent undertaking became The Bank of New York Mellon, a company registered in the United States of America with registered address 225 Liberty 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, incorporated in the United States of America.

The ultimate parent company as at 31 December 2016 was The Bank of New York Mellon, 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  
225 Liberty Street  
New York  
NY 10286  
USA.