

BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report, Directors' report and financial statements

Registered number 1796367

31 December 2019



BNY Mellon Performance & Risk Analytics Europe Limited

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BNY Mellon Performance & Risk Analytics Europe Limited

Board of Directors and other information

Directors

L Langenhan (Chair)

G Porrett

M Priestley

M Zwartbol

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Registered Office

One Canada Square

London

E14 5AL

Registered Number

1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report

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

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

Business review

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

Financial key performance indicators

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

	2019 £000	2018 £000	Change £000	Change %
Revenue	7,347	6,837	510	7%
Administrative expenses	10,224	7,414	2,810	38%
Profit before taxation	334	192	142	74%
Net assets	11,752	11,506	246	2%

Revenue increased by £510,000 during the year as the Company continues to grow its client base, in addition to this, organic growth of existing relationships both at the Company and the wider BNY Mellon Group.

Administrative expenses increased by £2,810,000 during the year as a result of the Company's operations moving to an outsourced function. This has included a recharge from BNY Mellon Poland s.p. z.o.o. for the outsourcing expense, and one-off expenses totalling £625,000 for severance and retention of the impacted employees based in its Leeds office. Additionally, there is a significant charge for depreciation on the right of use asset ("ROU") as a result of the IFRS 16 Leases accounting policy which commenced on 1 January 2019.

Other operating income increased by £2,313,000 driven by amounts receivable from a BNY Mellon Performance & Risk Analytics LLC in respect of margin support as a result of the increased expenses incurred in the year, and service support recharges from other BNYM Group undertakings.

Net assets increased by £246,000 during the year, primarily due to 2019 post-tax profits of £229,000.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 4 to 8.

BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report

Business and future developments

During 2020, the Company will continue to develop and launch new products and services to clients and seek to optimise performance measurement, risk, post trade compliance and associated capabilities within the BNY Mellon Group.

Coronavirus ("COVID-19")

As a result of the COVID-19 outbreak, there has been global uncertainty on the likely impact of the pandemic on Companies, government policies, financial markets, among others. The Company has performed an impact assessment on the specific risks it could be exposed to as a result. This has been explained within the 'Risk Management' section of the Director's report on page 6.

Brexit

The UK formally left the European Union ("EU") on 31 January 2020 and has ceased to be a member state. The departure will lead to a transition period, lasting until the end of 2020, which effectively keeps the UK in the EU from the perspective of companies and individuals and their respective rights and obligations. The UK's withdrawal from the European Union ("Brexit") is expected to have a lower impact on the Company.

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

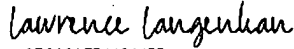
Specific risks to the Company's business include the impact of potential regulatory changes to the legal framework in which it operates. By working closely with regulators, and establishing a full Communications work stream as part of the wider BNY Mellon Brexit programme, a proactive approach has been taken to mitigate these risks wherever possible.

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

Approval

By order of the Board

DocuSigned by:


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L Langenhan
Director

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

9 September 2020

Registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

Principal activity

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

Results and dividends

The profit for the year after taxation amounted to £229,000 (2018: £87,000).

The directors do not recommend a final dividend for the year ended 31 December 2019 (2018: £nil).

Future developments

See 'Business and future developments' section in Strategic report for details.

Political donations

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

Risk management

Governance and policies

Policies and procedures are in place to govern and manage the business. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

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

Key committees and boards are in place to oversee compliance and risk management of the business to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines. Significant issues arising from these committees and boards may be reported up to the appropriate Investment Management / Investment Services Committee.

The key committees and boards include:

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

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Risk management process

The lines of business are responsible for actively identifying the risks associated with their key business processes, business changes or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. This is done through the Risk Control Self-Assessment Process ("RCSA"). The objective of this is to prevent or minimise:

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

The Company utilises the Group 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 for the Group 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 Risk and Compliance Committee 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 liquidity risk management framework.

Credit risk

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

Market risk

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

Liquidity risk

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

Strategic risk

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

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Risk management process - continued

Operational risk

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

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

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

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

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

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

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

Other macro environmental risks (including coronavirus)

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various governments and institutions around the world responding in different ways to address the outbreak. This has led to an increased level of uncertainty in the financial markets which has triggered volatility in interest rates, foreign exchange rates and equity prices among others. Whereas the quantification of the impact on the Company is uncertain, management has considered the below specific factors that could affect the Company:

- The Company's main revenue stream comprises of fees charged for the statistical analysis and comparison of investment funds. There has been no changes to the existing contractual arrangements including the margin support as a result of the pandemic;
- There has been no impact of the current uncertainty with regards to the Company's lease arrangements;
- Liquidity: The Company continues to closely monitor the impact of market volatility on its balance sheet. There exists sufficient liquidity in which the Company is able to absorb any short-term losses;
- There has been no significant increase in the expected credit loss with respect to trade debtors has been noted as a result of the pandemic;
- Going concern consideration: Management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. This assessment is disclosed in note 1.4 and focuses on the Company's financial and operational resilience 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, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust balance sheet and sufficient capital.

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Employees

The Company is committed to a best practice approach to consult with employees on matters that are likely to affect their interests. Information of general interest to employees is provided through the intranet, newsletters and notices and general dialogue between line managers and employees, all of which seeks to achieve a common awareness of the financial and economic factors which impact on the Company's performance. In addition the Company participates in the Group's Employee Information & Consultation Forums at both a local and European level. The Forums build on existing communication channels and provide more formal opportunities for dialogue between management and employees.

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

The Company is also committed to providing relevant training and development opportunities, to include achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The Company adheres to the principles of Equal Employment Opportunity, and through our diversity and inclusion framework, we empower our people to reach their full potential.

Directors

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

	Appointed	Resigned
L Langenhan	-	-
G Porrett	14 March 2019	-
M Priestley	-	-
A Wilcock	-	24 July 2019
M Zwartbol	25 June 2019	-

Directors' indemnity provision

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2018: £nil).

Disclosure of information to auditor

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

Post balance sheet events

Subsequent to 31 December 2019, the COVID-19 virus spread into the UK and other countries outside of China. Accordingly, management has considered this to be a non-adjusting post balance sheet event and an analysis of its impact on the Company has been considered within the 'Risk Management' section.

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

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

DocuSigned by:

Lawrence Langenhan

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L Langenhan

Director

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

9 September 2020

Registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

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

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

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

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

Opinion

We have audited the financial statements of BNY Mellon Performance & Risk Analytics Europe Limited for the year ended 31 December 2019 which comprise of the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101: *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Other information

The directors are responsible for the other information, which comprises of the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Allen

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

Chartered Accountants
15 Canada Square
London, E14 5GL

17 September 2020

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of profit and loss and other comprehensive income

for the year ended 31 December 2019

		2019	2018
	Note	£000	£000
Revenue	2	7,347	6,837
Administrative expenses	3,4	(10,224)	(7,414)
Other operating income	8	3,288	711
Operating profit		411	134
Interest receivable and similar income	9	73	65
Interest payable and similar charges	10	(150)	(7)
Profit before taxation		334	192
Taxation on profit	11	(105)	(105)
Total comprehensive income for the financial year		229	87

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 and prior year relate to continuing operations.

During the year the Company had no items going through other comprehensive income (2018: £nil).

BNY Mellon Performance & Risk Analytics Europe Limited

Balance sheet

at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	12	<u>3,628</u>	<u>778</u>
		<u>3,628</u>	<u>778</u>
Current assets			
Debtors	13	6,207	4,330
Cash at bank and in hand	14	<u>10,988</u>	<u>11,700</u>
		17,195	16,030
Creditors: amounts falling due within one year	15	<u>(4,201)</u>	<u>(3,331)</u>
Net current assets		12,994	12,699
 Total assets less current liabilities		 16,622	 13,477
 Creditors: amounts falling due after more than one year	16	 <u>(4,870)</u>	 <u>(1,971)</u>
Net assets		<u><u>11,752</u></u>	<u><u>11,506</u></u>
 Capital and reserves			
Called up share capital	19	2	2
Share premium		281	281
Other reserves		210	193
Profit and loss account		<u>11,259</u>	<u>11,030</u>
Shareholders' funds		<u><u>11,752</u></u>	<u><u>11,506</u></u>

Notes 1 to 23 are integral to these financial statements.

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

DocuSigned by:

Lawrence Langenhan

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L Langenhan
Director

9 September 2020

Company registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of changes in equity

31 December 2019

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

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	2	281	193	11,030	11,506
Total comprehensive income for the financial year	-	-	-	229	229
Amortisation of share-based payments	-	-	17	-	17
Balance at 31 December 2019	2	281	210	11,259	11,752

Notes 1 to 23 are integral to these financial statements.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

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

These financial statements were prepared in accordance with FRS 101.

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

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

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

- A Statement of cash flows and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of capital management;
- Disclosures in respect of compensation of key management personnel; and
- Disclosures in respect of revenue contracts with customers and significant judgements.

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.17.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.2 Change in accounting policy

The Company has applied IFRS 16 from 1 January 2019.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases* and introduces a single on the balance sheet accounting model for lessees. Lessor accounting remains similar to previous accounting policies.

Lessee

Lessees recognise a right of use ("ROU") asset and a corresponding lease liability representing its obligation to make lease payments. The asset is depreciated over the lease term, and the financial liability measured at amortised cost using the effective interest method.

As a result of recognising operating leases on balance sheet, assets increased by £5,500,000 and increased financial liabilities by the same amount with no effect on net assets or opening profit and loss account. The Company's incremental borrowing rate ("IBR") applied to determine the lease liability was 2.0865%.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4 *Determining whether an arrangement contains a lease*.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Transition

The Company applied the modified retrospective approach, and there was no impact on the net assets or opening profit and loss account as the assets and liabilities increased by the same amounts.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's IBR as at 1 January 2019. ROU assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics; and
- adjusted the ROU assets by the amount of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, and subsequently then on impairment going forward.

For leases that were classified as finance leases under IAS 17, the carrying amount of the ROU asset and the lease liability at 1 January 2019 are determined as at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.2 Change in accounting policy - continued

Lessor

The Company leases out the property included in ROU assets. The Company has classified this lease as an operating lease.

The accounting policies applicable to the Company as a lessor under IFRS 16 are not different from those under IAS 17. No material impact on the accounting for operating leases for the Company.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Company has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

The Company sub-leases both the 6th and 7th floors in their entirety. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the ROU assets recognised from the head leases are presented in leasehold property, and measured at fair value on transition to IFRS 16. The sub-lease contracts are classified as operating leases under IFRS 16.

1.3 Measurement convention

These financial statements are prepared on the historical cost basis.

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 pages 2 to 3. In addition, the Directors' report on pages 4 to 8 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.

Due to COVID-19, management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management considered:

- The financial impact of the uncertainty on the Company's balance sheet;
- Liquidity stress tests on reasonably plausible scenarios. In addition, an extreme revenue scenario assuming zero revenue for a period of 12 months from the date of signing the financial statements was considered by management;
- Liquidity position based on current cash resources. The Company's current cash/liquidity position and expected projected cash flow is able to sustain its current operational costs for at least a year even with a significantly reduced revenue scenario, and;
- The Company's operational resilience with respect to the impact of the pandemic on existing processes and key stakeholders such as suppliers, employees, customers and its existing information technology systems and infrastructure.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.4 Going concern - continued

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.

1.5 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 with notes 8, 9, 13, 14, 15, and 20.

1.6 Foreign currency

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

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. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

1.7 Revenue from contracts with customers

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

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

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

1.8 Employee benefits

Defined contribution plans

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.8 Employee benefits - continued

Defined benefit plans

The Company participates in a Group wide defined benefit pension plan. As required by IAS 19 Employee Benefits, and as there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the Company recognises a cost equal to its contribution payable for the accounting period, as if it were a defined contribution plan. The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group. The assets of the plan are held separately from those of the Company.

1.9 Share-based payment transactions

Certain employees are issued Restricted Stock Units ("RSUs") and options in the shares of The Bank of New York Mellon Corporation (the Company's ultimate parent). All share-based payments issued under these plans are equity-settled.

The grant date fair value of the majority of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

Most RSUs issued are measured based on grant date fair value of the shares of The Bank of New York Mellon Corporation. However, certain awards granted to Code Staff under the European Banking Authority are required to be marked to market due to discretionary claw back language contained in their grants. Options are measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

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

The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. Certain of the Company's share-based payment awards vest when the employee retires. For grants of share-based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire. If an employee voluntarily leaves the Company before the awards are fully vested, then the shares in relation to the employee are forfeited, with a credit to the Statement of profit and loss and other comprehensive income and a debit to equity.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.10 Interest receivable and interest payable

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

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges include interest payable and net foreign exchange losses.

Net foreign exchange gains or losses are recognised in the Statement of profit and loss and other comprehensive income (see note 1.6).

1.11 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Non-derivative financial instruments - classification and measurement

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

Financial assets are measured at amortised cost if meeting both of the following conditions and are not designated as at value through profit and loss ("FVTPL"):

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

Such financial assets include trade and other debtors.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

Financial assets are measured at fair value through other comprehensive income ("FVOCI") only if meeting both of the following conditions:

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

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

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

Business model assessment

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

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

The Company generally does not hold assets for trading.

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

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

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

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

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

Under IFRS 9, the Company generally recognises loss allowances at an amount equal to 12-month expected credit loss ("ECL") (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime ECL basis.

Measurement of ECL

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

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

ECL relating to trade receivables are discussed in note 13.

1.14 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 such as in the Company's trading activity.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.15 Tangible fixed assets

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

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

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

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

1.16 Leases

Lessee

The Company recognises a ROU asset and a lease liability with respect to all lease agreements in which it is a/ lessee at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, and discounted using the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.16 Leases - continued

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Lease modifications

Lease modifications arise from changes to the underlying contract agreed between the lessee and the lessor subsequent to commencement of the lease. The accounting for the modification depends on whether the modified terms increase or decrease the scope of the lease, and whether increases in scope require consideration to be paid that is commensurate with a 'standalone price' for the new scope of the lease.

Separate lease

A lease modification is accounted for as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope.

If both criteria are met, a lessee would account for the lease on the initial recognition and measurement of lease liabilities and ROU assets.

Not a separate lease

If a lease modification results in the lessee obtaining additional rights to use one or more underlying assets, but not at an amount that is commensurate with the standalone price for the increase in scope, the liability is remeasured by discounting all of the future lease payments as revised in the modified contract at the lessee's prevailing incremental borrowing rate. The remeasurement of the lease liability is adjusted against the carrying value of the ROU asset such that no gain or loss arises as a result of the modification. The same accounting is applied if the term of the original lease is extended without adding any additional rights to use any more underlying assets.

Under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies - continued

1.16 Leases - continued

Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'net occupancy expense' as this activity is not a significant business activity and is part of the Company's customary business practice.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

1.17 Accounting estimates and judgements

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

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to deferred tax assets, provisions and right-of-use assets. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes 12 and 18 of the financial statements.

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

2 Revenue from contracts with customers

Nature of Services and Revenue Recognition

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

Contract Balances

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £435,000 at 31 December 2019 (2018: £603,000). An allowance is maintained for accounts receivable which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other expense in the Statement of profit and loss and other comprehensive income. Receivables from customers are included in debtors on balance sheet.

Contract assets represent accrued revenues that have not yet been billed to the customers due to contingent factors other than the passage of time. The Company had £nil contract assets as at 31 December 2019 (2018: £nil).

Contract liabilities represent payments received in advance of providing services under certain contracts and were £nil as at 31 December 2019 and (2018: £nil).

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

Contract Costs

Contract costs represent either costs which are capitalised relating to incremental costs for obtaining contracts, or costs incurred for fulfilling contract obligations when they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to fulfil performance obligations and are recoverable. The Company had £nil contract costs as at 31 December 2019 (2018: £nil).

Unsatisfied Performance Obligations

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

3 Administrative expenses and auditor's remuneration

Profit before taxation is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	132	140
Depreciation of ROU assets	693	-
Auditor's remuneration:		
	2019	2018
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	19	18

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as 42 (2018: 63), of which 1 was director (2018: 1).

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Salaries and wages	2,594	2,484
Share-based payments (see note 6)	17	14
Social security costs	347	333
Pension costs	238	558
Other staff costs	292	199
	<u>3,488</u>	<u>3,588</u>

5 Employee benefits

The total pension cost for the year was £238,000 (2018: £558,000) relating to the defined contribution plan and £nil (2018: £nil) relating to the defined benefit plan. No amount (2018: £nil) was payable to the schemes at year end.

Defined contribution plan

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

5 Employee benefits - continued

Defined benefit plans

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

On 31 December 2018, the Plan closed to future accrual of benefits. The sponsoring employer, the London Branch of The Bank of New York Mellon, may however incur costs in future periods in relation to the funding of existing obligations under the Plan. Following the change, members were provided with the option to join The Bank of New York Mellon Group Personal Pension Scheme.

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

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

Regulatory framework

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

UK legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the current expected cost of providing benefits). The Plan has been valued by qualified actuaries as at 1 January 2019 with results to be finalised soon, the next valuations are due to be carried out in 2022. Within 15 months of the effective date of the valuation, the Trustee and the Company must agree the contributions required (if any) to ensure the Plan is fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement. It is unlikely that any contributions will be due by the company as the Plan is expected to be in surplus at the valuation date.

Governance of the Plan

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

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

5 Employee benefits - continued

Defined benefit plans - continued

Plan amendments, settlements and curtailments

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

Plan Assets - The Mellon Retirement Benefits Plan

	2019	2018
	£000	£000
Cash and cash equivalents	3,260	5,715
Equity instruments	-	-
LDI and Liquidity	290,162	495,415
Debt instruments e.g. Government bonds	434,525	132,199
Real estate	-	38,382
Secured finance	161,821	-
Derivatives	-	-
Investment funds	36,947	165,750
Insured liabilities	6,431	-
Total	933,146	837,461

In respect of the Mellon Retirement Benefits Plan, the latest actuarial valuation carried out on 31 December 2019 for the purpose of FRS 101 showed a surplus of £167,814,000 (2018: surplus of £205,454,000). Contributions to the fund are no longer required on an ongoing basis following closure to future accrual.

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

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

Actuarial assumptions

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

	2019	2018
	%	%
<i>Mellon Retirement Benefits Plan</i>		
Discount rate at 31 December	2.10	3.10
Future pension increases: RPI min 3% max 5%	3.55	3.55
Retail price inflation	3.05	3.00
Consumer price inflation	2.00	2.00

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

5 Employee benefits - continued

Defined benefit plans - continued

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

Mellon Retirement Benefits Plan

- Current pensioner aged 65: 23.2 years (male), 24.6 years (female).
- Future retiree currently aged 45 upon reaching 65: 24.9 years (male), 26.1 years (female).

Sensitivity analysis

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

	2019	2019	2018	2018
	£000	£000	£000	£000
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	(160,696)	222,880	(131,725)	182,224
Future salary increases	N/A	N/A	N/A	N/A
Medical cost trend	N/A	N/A	N/A	N/A
Future pension increases	131,987	(105,632)	106,066	(84,727)
Inflation (RPI, CPI)	144,686	(122,802)	122,793	(103,157)

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

Funding

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

The Bank of New York Mellon London Branch does not expect to pay any contributions (2019: £8,200,000) in respect of the Mellon Retirement Benefits Plan in 2020. The weighted average duration at the end of the reporting period for the Mellon Retirement Benefits Plan's defined benefit obligation was 25 years (2018: 25 years).

BNY Mellon Performance & Risk Analytics Europe Limited

Notes to the financial statements for the year ended 31 December 2019

6 Share-based payments

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

Stock options

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

Restricted stock and restricted stock units (RSU)

These awards are granted at no cost to the recipient. Generally restricted stock and RSUs vest in tranches over a specified period, expire on vesting and are subject to forfeiture until certain restrictions have lapsed, predominantly continued employment by the Bank of New York Mellon Group for the specified vesting period. The recipient of a share of restricted stock is entitled to voting rights and generally is entitled to dividends on the common stock. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse. The recipient generally is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding but does not receive voting rights. The fair value of restricted stock and RSUs is equal to the fair market value of the Bank of New York Mellon common stock on the date of grant. However, certain awards granted to Code Staff are required to be marked to market due to discretionary clawback language contained in their grants.

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

Stock options

	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
	2019	2019	2018	2018
Balance outstanding at 1 January	283	30.13	1,134	24.10
Exercised	-	-	(851)	22.03
Balance outstanding at 31 December	<u>283</u>	<u>30.13</u>	<u>283</u>	<u>30.13</u>

Nil share options were exercised during 2019 (2018: 851 were exercised at a weighted average price of 22.03).

Stock options outstanding at 31 December 2019

Range of exercise price \$	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$
31 - 40	283	1.2	30.13
	<u>283</u>	<u>1.2</u>	<u>30.13</u>

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Notes to the financial statements for the year ended 31 December 2019

6 Share-based payments - continued

Stock options outstanding at 31 December 2018

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

During 2019, there were no charges/(credits) to the profit and loss account in respect of share-based option plans settled in equity (2018: £51).

7 Directors' emoluments

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

	2019	2018
	£000	£000
Directors' emoluments	200	138
Amounts receivable under long-term incentive schemes	15	14
Company contributions to money purchase pension plans	8	1
Company contributions to defined benefit pension plans	-	44
Compensation for loss of office	14	-
	<u>237</u>	<u>197</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £191,701 (2018: £127,166), and Company pension contributions of £7,000 (2018: £44,289) were made to a money purchase scheme on their behalf. During the year, the highest paid director did not exercise share options but did received shares under a long term incentive scheme.

	Number of Directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	1
Defined benefit schemes	-	1
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	3	3

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Notes to the financial statements for the year ended 31 December 2019

8 Other operating income

	2019	2018
	£000	£000
Recharge of service charges to fellow BNYM Group undertakings	595	344
Other operating income	2,679	367
Other income	14	-
	<u>3,288</u>	<u>711</u>

9 Interest receivable and similar income

	2019	2018
	£000	£000
Net foreign exchange gain	-	12
Receivable from Group undertakings	73	53
Total interest receivable and similar income	<u>73</u>	<u>65</u>

10 Interest payable and similar charges

	2019	2018
	£000	£000
Payable on lease liabilities	102	-
Net foreign exchange loss	35	-
Payable to Group undertakings	13	7
Total interest payable and similar charges	<u>150</u>	<u>7</u>

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Notes to the financial statements for the year ended 31 December 2019

11 Taxation

Recognised in the statement of profit and loss and other comprehensive income

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax on profit for the period	211	91
Adjustments in respect of prior periods	(50)	8
	161	99
<i>Foreign tax</i>		
Total current tax	161	99
<i>Deferred tax (see note 18)</i>		
Current year	(63)	5
Adjustments in respect of prior periods	-	1
Effect of changes in tax rate	7	-
	(56)	6
Total deferred tax	(56)	6
Total tax expense	105	105

Factors affecting total tax charge for the current period

	2019 £000	2018 £000
Total profit for the year	229	87
Total tax expense	105	105
Profit excluding taxation	334	192
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	63	36
Tax rate changes	7	-
Non-deductible expenses	86	136
Tax exempt income	-	(76)
Exempt amounts	(1)	-
Under/(over) provided in prior years	(50)	9
Total tax expense	105	105

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £11,000.

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Notes to the financial statements for the year ended 31 December 2019

12 Tangible fixed assets

	Right of use: leasehold £000	Fixtures and fittings £000	Leasehold improvements £000	Total £000
Cost				
At 1 January 2019	-	262	1,785	2,047
Additions	-	-	4	4
IFRS 16 adoption from 1 January 2019	4,317	-	-	4,317
Disposals	-	(262)	(1,144)	(1,406)
At 31 December 2019	4,317	-	645	4,962
Depreciation				
At 1 January 2019	-	231	1,038	1,269
Accumulated impairment loss	195	-	-	195
Disposals	-	(240)	(715)	(955)
Depreciation	693	9	123	825
Impairment loss in income	-	-	-	-
At 31 December 2019	888	-	446	1,334
Net book value				
At 31 December 2018	-	31	747	778
At 31 December 2019	3,429	-	199	3,628

The Company leases two floors within an office building in Leeds. The non-cancellable period of the lease is 20 years to 2026. The lease payments are mostly static, with incremental increases at stated years within the term of the lease.

The impairment losses relate to adjustments booked to align the carrying value with the net present value of future cash flows.

13 Debtors

	2019 £000	2018 £000
Trade debtors	435	603
Amounts due from Group undertakings	4,469	2,735
Prepayments and accrued income	1,202	947
Deferred tax asset	101	45
	<u>6,207</u>	<u>4,330</u>
Due within one year	<u>6,207</u>	<u>4,330</u>

Trade debtors is disclosed net of ECL of £74,000 (2018: £35,000).

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Notes to the financial statements for the year ended 31 December 2019

14 Cash at bank and in hand

	2019	2018
	£000	£000
Cash at bank and in hand	10,988	11,700
	<u>10,988</u>	<u>11,700</u>

Cash at bank included £10,954,000 (2018: £11,700,000) of funds on deposit with a UK regulated banking entity within the Group.

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

15 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank loans and overdrafts	1,037	1,077
Lease liabilities (see note 17)	728	-
Amounts due to Group undertakings	1,758	1,007
Accruals and deferred income	316	1,010
Taxation and social security	183	90
Other creditors	179	147
	<u>4,201</u>	<u>3,331</u>

16 Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities (see note 17)	4,061	-
Deferred income: lease incentive	-	893
Provision for dilapidations	809	1,078
	<u>4,870</u>	<u>1,971</u>

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Notes to the financial statements for the year ended 31 December 2019

17 Lease liabilities

Maturity analysis - contractual undiscounted cash flows

	2019	2018
	£000	£000
Expiring within one year	728	1,055
Expiring between one and five years	3,875	4,220
Expiring in more than five years	186	2,354
Total undiscounted lease liabilities at 31 December	4,789	7,629

The Company leases two floors within an office building in Leeds over a term of 20 years to 2026.

Amounts recognised in Statement of profit or loss and other comprehensive income

	2019	2018
	£000	£000
Interest on lease liabilities	(102)	-
Income from sub-leasing ROU assets	456	347
	354	347

Sub-lease

	2019	2018
	£000	£000
Operating lease		
Lease income	456	347

Operating lease

The Company sub-leases both the 6th and 7th floor in their entirety. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the asset.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019	2018
	£000	£000
Receivable		
Less than one year	483	347
One to two years	742	347
Two to three years	531	347
Three to four years	388	87
Four to five years	388	-
More than five years	453	-
	2,985	1,128

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Notes to the financial statements for the year ended 31 December 2019

18 Deferred tax assets and liabilities

Movement in deferred tax during the year

	2019	2018
	£000	£000
Provision at 1 January	45	51
Adjustment in respect of prior years	-	(1)
Deferred tax (debited)/credited to profit and loss for the period	56	(5)
Provision at 31 December	<u>101</u>	<u>45</u>

The deferred tax asset has been recognised in full based on its expected recoverability due to the future anticipated profits of the Company. The major components of deferred tax are as follows:

Recognised deferred tax assets and liabilities

	2019	2018
	£000	£000
Tangible fixed assets	63	34
Change in Basis for IFRS 16	30	-
Other	8	11
	<u>101</u>	<u>45</u>

19 Capital and reserves

Share capital

	2019	2018
	£000	£000
<i>Allotted, called up and fully paid</i>		
160,000 (2018:160,000) ordinary shares of £1p each	<u>2</u>	<u>2</u>

20 Offsetting financial assets and financial liabilities

Group and Company

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:

	2019			2018		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Amounts due from Group undertakings	4,469	-	4,469	2,735	-	2,735
Amounts due to Group undertakings	1,758	-	1,758	1,007	-	1,007

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Notes to the financial statements for the year ended 31 December 2019

21 Subsequent events

Subsequent to 31 December 2019, the COVID-19 virus spread into the UK and other countries outside of China. Accordingly, management has considered this to be a non-adjusting post balance sheet event and do not believe there is any material financial impact to the financial statements as at 31 December 2019 as a result of this subsequent event.

22 Transactions involving Directors, officers and others

At 31 December 2019 there were no loans and other transactions made to directors, officers or other related parties of the Company (2018: £nil).

23 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY International Financing Corporation, a company registered in the United States of America. BNY International Financing Corporation's registered address is 240 Greenwich Street, New York, NY 10286, USA. Copies of the accounts for BNY International Financing Corporation can be obtained from 160 Queen Victoria Street, London, EC4V 4LA.

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 2019 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 its registered address:

The Secretary
The Bank of New York Mellon Corporation
240 Greenwich Street
New York, NY
10286
USA