BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report, Directors' report and financial statements

Registered number 1796367

31 December 2020

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
D Handley (Chair)
E Kristen-Szablewska
G Porrett
M Priestley

Secretary
BNY Mellon Secretaries (UK) Limited
160 Queen Victoria Street
London
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Auditor
KPMG LLP
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London
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One Canada Square
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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:

	2020 £000	2019 £000	Change £000	Change %
Revenue	8,263	7,347	916	12%
Administrative expenses	6,526	10,224	(3,698)	(36)%
Profit before taxation	292	334	(42)	(13)%
Net assets	11,941	11,752	189	2%

Revenue increased by £916,000 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 decreased by £3,698,000 during the year largely due to reduced staff costs as a result of the Company's operations moving to an outsourced function, 2019 included expense for both staff costs (inclusive of severance expenses) and the recharge from BNY Mellon Poland s.p. z.o.o. for the outsourcing expense. Additionally, expenses incurred in 2019 as a result of the exit of the Leeds office were not repeated, and the 7th floor has now been fully sub-leased to a third party.

Other operating expense of £1,304,000 (2019: £3,288,000 operating income) is driven by amounts payable to BNY Mellon Performance & Risk Analytics LLC ("PRA LLC") in respect of an agreement between the two entities for the provision of margin support. The mix of the increased revenue and reduced expenses contributed to the switch from receivable in 2019 to payable in 2020. In addition, technology service support recharges increased from other BNYM Group undertakings.

Net assets increased by £189,000 during the year, primarily due to 2020 post-tax profits of £175,000.

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 9.

BNY Mellon Performance & Risk Analytics Europe Limited

Strategic report

Business and future developments

During 2021, 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")

Since early 2020, COVID-19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company and has put in place procedures to monitor and mitigate those risks. An assessment of the impact of the uncertainty on the Company's year-end financial position and operational resilience has been performed and management has concluded that the pandemic will not have a substantial impact on the Company's ability to continue as a going concern. This consideration has been detailed within the 'Risk management' section of the Directors' report on page 6.

Brexit

The UK formally left the European Union ("EU") on 31 January 2020 and ceased to be an EU member state on that date. The departure was subject to a transition period which ended on 31 December 2020. On 24 December 2020, the UK and EU reached a "Trade and Cooperation Agreement" which offered some major free-trade benefits, but also represented an end to most aspects of the free market access that the UK previously enjoyed as an EU member state. The new rules apply from 1 January 2021.

The UK's withdrawal from the European Union ("Brexit") has had a limited impact on the Company. The Company continues to monitor other risks which may arise as a result of post-Brexit changes to the UK legal and regulatory framework in which it operates. It could also be impacted by changing economic factors including changes in interest rates and foreign exchange rates etc.

The Directors expect the Company to remain profitable over the next 12 months. Accordingly, there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to Brexit.

Approval

By order of the Board

D Handley
Director

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

13 September 2021

Registered number: 1796367

Directors' report

The directors present their report and financial statements for the year ended 31 December 2020.

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 £175,000 (2019: £229,000).

The directors do not recommend a final dividend for the year ended 31 December 2020 (2019: £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 Services Committee.

The key committees and boards include:

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

Risk management process

The Board sets the strategy and policies for the management of risk and is responsible for risk identification, management and monitoring.

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 Board of the Group, 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.

The Company's Risk Appetite limits the holding of cash or cash-like funds to investment grade counter-parties only. Therefore, cash deposits are held at BNY Mellon London Branch (S&P equivalent of AA-, Moody's equivalent of Aa-).

Established operational policies, procedures and controls exist around the collection of receivables and identification and follow-up of at-risk balances.

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, and interest rate exposure on cash balances.

The main source of market risk to the Company is through currency exposure on fees received and expenses paid in non-functional currencies. These exposures are actively managed through a monthly spot sell off process of non-sterling currency balances by Group Treasury.

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. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels. The Company is exposed to minimal liquidity risk.

Risk management process - continued

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.

The Company seeks to minimise this risk by having a thorough understanding of the markets in which it participates, that it employs a continuous improvement approach, and has programs and makes direct investments that encourage and create innovative outcomes.

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)

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation remains dynamic and has led to an increased level of uncertainty among companies and global financial markets. Below is a consideration of the impact of the uncertainty on the Company's financial statements and operational resilience.

Risk management process - continued

Other macro environmental risks (including coronavirus) - continued

Financial statements consideration

Particular focus has been on the Company's key areas of significant judgment and estimation uncertainty. As disclosed in note 1.16, this specifically relates to impairment of right-of-use assets.

The Company had right of use assets valued at £2,877,000 as at 31 December 2020. Management have performed an impairment review of its carrying value based the net present value of future cash flows and have concluded that no impairment loss is required as at 31 December 2020.

Operational resilience

Management has assessed the impact of COVID-19 on the Company's existing operational processes and its potential impact on its key stakeholders.

- Suppliers: Through the Company's proactive outreach programme to its third party providers, management has continued to assess and monitor its contractual risk resulting from the COVID-19 pandemic. No significant issues have been noted to-date.
- The Company's employees and outsourced function continue to work from home and the existing IT infrastructure is supporting this new way of working. The Company is therefore operating as usual without disruption to business continuity or its outsourced operations.
- The Company is adequately financed and is able to utilise existing cash flows within the group in the event that additional capital is needed.
- The Company's key information technology systems and infrastructure including those outsourced have not been significantly impacted as a result of COVID-19 and continue to operate as normal.

Going concern

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 has considered a number of factors which have been disclosed in note 1.3 Going Concern.

The Company continues to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining significant liquidity buffer to help address the risk of adverse financial impact from the effects of the pandemic and therefore believe that there are no going concern issues.

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.

Employees - continued

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
D Handley	11 March 2021	-
E Kristen-Szablewska	12 April 2021	-
G Porrett	-	-
L Langenham	-	29 January 2021
M Priestley	-	-
M Zwartbol	-	11 March 2021

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 (2019: £nil).

Disclosure of information to auditor

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

BNY Mellon Performance & Risk Analytics Europe Limited

Directors' report

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

D Handley
Director

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

13 September 2021

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 2020 which comprise of the statement of profit and loss and other comprehensive income, the balance sheet, the 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 2020 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").

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. Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management, and inspection of policy documentation as to the Company's policies and procedures to prevent and detect fraud, including the Bank of New York Mellon Corporation's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because of the straightforward revenue calculation and the margin support received by the Parent.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those with certain key words and posted by infrequent users.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, anti-money laundering, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for 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 strategic report and the directors' report 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 strategic report and the directors' report;
- 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.

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 10, 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.

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

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.

Anthony Withers
Anthony Withers (Sep 13, 2021 19:22 GMT+1)

Anthony Withers (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

13 September 2021

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of profit and loss and other comprehensive income

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	2	8,263	7,347
Administrative expenses	3	(6,526)	(10,224)
Other operating (loss)/income	8	(1,304)	3,288
Operating profit		433	411
Interest receivable and similar income	9	15	73
Interest payable and similar charges	10	(156)	(150)
Profit before taxation		292	334
Taxation on profit	11	(117)	(105)
Total comprehensive income for the financial year		175	229

Notes 1 to 22 are integral to these financial statements.

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

During the year the Company had no items going through other comprehensive income (2019: £nil).

BNY Mellon Performance & Risk Analytics Europe Limited

Balance sheet
at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	12	3,044	3,628
		3,044	3,628
Current assets			
Debtors	13	4,350	6,207
Cash at bank and in hand	14	12,208	10,988
		16,558	17,195
Creditors: amounts falling due within one year	15	(3,496)	(4,201)
Net current assets		13,062	12,994
Total assets less current liabilities		16,106	16,622
Creditors: amounts falling due after more than one year	16	(4,165)	(4,870)
Net assets		11,941	11,752
Capital and reserves			
Called up share capital	19	2	2
Share premium		281	281
Other reserves		224	210
Profit and loss account		11,434	11,259
Shareholders' funds		11,941	11,752

Notes 1 to 22 are integral to these financial statements.

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

D Handley
Director

13 September 2021

Company registered number: 1796367

BNY Mellon Performance & Risk Analytics Europe Limited

Statement of changes in equity

31 December 2020

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£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

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2020	2	281	210	11,259	11,752
Total comprehensive income for the financial year	-	-	-	175	175
Amortisation of share-based payments	-	-	14	-	14
Balance at 31 December 2020	2	281	224	11,434	11,941

Notes 1 to 22 are integral to these financial statements.

Notes to the financial statements
for the year ended 31 December 2020

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 1.16.

1 Accounting policies - continued

1.2 Measurement convention

These financial statements are prepared on the historical cost basis.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 3. In addition, the Directors' report on pages 4 to 9 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit and liquidity risk.

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.

Management has performed an assessment to determine whether there are any material uncertainties arising 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;
- Stress tests on an extreme revenue scenario assuming zero revenue for a period of 12 months from the date of signing the financial statements;
- 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.

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group. Balances with other members of the Group are disclosed with notes 8, 9, 13, 14, 15, and 20.

Notes to the financial statements
for the year ended 31 December 2020

1 Accounting policies - continued

1.5 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.

1.6 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.

1.7 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.

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 Accounting policies - continued

1.8 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.

1.9 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 includes interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges includes 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 1.5).

1 Accounting policies - continued

1.10 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.

1.11 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 they meet both of the following conditions and are not designated as at FVTPL:

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

Such financial assets include trade and other debtors.

Financial assets are measured at FVOCI only if they meet 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.

1 Accounting policies - continued

1.11 Non-derivative financial instruments - classification and measurement - continued

A Financial liability is initially recognised at fair value and in the case of loans and borrowings and trade and other creditors, net of directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost or FVTPL. Loans and borrowings and 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.

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.

1.12 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.

Notes to the financial statements
for the year ended 31 December 2020

1 Accounting policies - continued

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

Measurement of ECL

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

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

ECL relating to trade receivables are discussed in note 13.

1.13 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.

1.14 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:

• 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 Accounting policies - continued

1.15 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.

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.

1 Accounting policies - continued

1.15 Leases - continued

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.

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.

Notes to the financial statements
for the year ended 31 December 2020

1 Accounting policies - continued

1.16 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 right-of-use assets. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the note 12 of the financial statements.

2 Revenue from contracts with customers

Nature of services and revenue recognition

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

Contract balances

The Company's customers are billed based on fee schedules that are agreed upon in each customer contract. The receivables from customers were £403,000 at 31 December 2020 (2019: £435,000). 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 2020 (2019: £nil).

Contract liabilities represent payments received in advance of providing services under certain contracts and were £nil as at 31 December 2020 and (2019: £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 2020 (2019: £nil).

2 Revenue from contracts with customers - continued

Unsatisfied performance obligations

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

3 Administrative expenses and auditor's remuneration

Profit before taxation is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	32	132
Depreciation of ROU assets	552	693

Auditor's remuneration:

	2020	2019
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	31	19

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 10 (2019: 42)

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Salaries and wages	1,025	2,594
Share-based payments (see note 6)	14	17
Social security costs	189	347
Pension costs	97	238
Other staff costs	69	292
	1,394	3,488

5 Employee benefits

The total pension cost for the year was £97,000 (2019: £238,000) relating to the defined contribution plan and £nil (2019: £nil) relating to the defined benefit plan. No amount (2019: £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.

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 31 December 2020, 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.

Notes to the financial statements
for the year ended 31 December 2020

5 Employee benefits - continued

Defined benefit plans - continued

Governance of the Plan

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

Plan amendments, settlements and curtailments

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

Plan Assets - The Mellon Retirement Benefits Plan

	2020	2019
	£000	£000
Cash and cash equivalents	3,393	3,260
Equity instruments	-	-
LDI and Liquidity	377,889	290,162
Debt instruments e.g. Government bonds	474,507	434,525
Secured finance	162,419	161,821
Derivatives	-	-
Investment funds	26,301	36,947
Insured liabilities	6,719	6,431
Total	1,051,228	933,146

In respect of the Mellon Retirement Benefits Plan, the latest actuarial valuation carried out on 31 December 2020 for the purpose of FRS 101 showed a surplus of £208,085,000 (2019: surplus of £167,814,000). 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.

5 Employee benefits - continued

Defined benefit plans - continued

Actuarial assumptions

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

	2020 %	2019 %
Mellon Retirement Benefits Plan		
Discount rate at 31 December	1.65	2.10
Future pension increases: RPI min 3% max 5%	3.45	3.55
Retail price inflation	2.85	3.05
Consumer price inflation	2.15	2.00

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: 24.8 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.

	2020 £000 1% increase	2020 £000 1% decrease	2019 £000 1% increase	2019 £000 1% decrease
Discount rate	(179,424)	248,894	(160,696)	222,880
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	146,606	(76,033)	131,987	(105,632)
Inflation (RPI, CPI)	158,857	(123,880)	144,686	(122,802)

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.

5 Employee benefits - continued

Defined benefit plans - continued

Funding

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

The Bank of New York Mellon London Branch does not expect to pay any contributions (2019: £nil) in respect of the Mellon Retirement Benefits Plan in 2021. The weighted average duration at the end of the reporting period for the Mellon Retirement Benefits Plan's defined benefit obligation was 25 years (2019: 25 years).

6 Share-based payments

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

Stock options

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

Notes to the financial statements
for the year ended 31 December 2020

6 Share-based payments - continued

Stock options

	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
	2020	2020	2019	2019
Balance outstanding at 1 January	283	30.13	283	30.13
Balance outstanding at 31 December	283	30.13	283	30.13

Nil share options were exercised during 2020 (2019: nil were exercised at a weighted average price of nil).

Stock options outstanding at 31 December 2020

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

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
	283	1.2	30.13

During 2020, there were no charges/(credits) to the profit and loss account in respect of share-based option plans settled in equity (2019: £nil).

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.

Notes to the financial statements
for the year ended 31 December 2020

7 Directors' emoluments - continued

	2020	2019
	£000	£000
Directors' emoluments	193	200
Amounts receivable under long-term incentive schemes	11	15
Company contributions to money purchase pension plans	4	8
Compensation for loss of office	-	14
	208	237

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £196,350 (2019: £191,701), and Company pension contributions of £3,850 (2019: £7,000) 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	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	4
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	3	3

8 Other operating (loss)/income

	2020	2019
	£000	£000
Recharge of service charges to fellow BNYM Group undertakings	160	595
Margin support (payable to)/receivable from PRA LLC	(1,464)	2,679
Other income	-	14
	(1,304)	3,288

9 Interest receivable and similar income

	2020	2019
	£000	£000
Receivable from Group undertakings	15	73
Total interest receivable and similar income	15	73

Notes to the financial statements
for the year ended 31 December 2020

10 Interest payable and similar charges

	2020 £000	2019 £000
Payable on lease liabilities	90	102
Net foreign exchange loss	64	35
Payable to Group undertakings	2	13
Total interest payable and similar charges	156	150

11 Taxation

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

	2020 £000	2019 £000
UK corporation tax		
Current tax on profit for the period	54	211
Adjustments in respect of prior periods	58	(50)
	112	161
Foreign tax		
Total current tax	112	161
Deferred tax (see note 18)		
Current year	17	(63)
Effect of changes in tax rate	(12)	7
Total deferred tax	5	(56)
Total tax expense	117	105

Factors affecting total tax charge for the current period

	2020 £000	2019 £000
Total profit for the year	175	229
Total tax expense	117	105
Profit excluding taxation	292	334
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	55	63
Tax rate changes	(12)	7
Non-deductible expenses	10	86
Exempt amounts	6	(1)
Under/(over) provided in prior years	58	(50)
Total tax expense	117	105

11 Taxation - continued

The UK Corporate Tax rate for 2020 of 19% (2019: 17%) as per Finance Act 2020 received Royal Assent on 22 July 2020. UK deferred tax balances as at 31 December 2020 have been calculated with respect to the enacted rate at the balance sheet date of 19% (2019: 19%). In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. 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 £45,000.

12 Tangible fixed assets

	Right of use: leasehold	Leasehold improvements	Total
	£000	£000	£000
Cost			
At 1 January 2020	4,317	645	4,962
At 31 December 2020	4,317	645	4,962
Depreciation			
At 1 January 2020	888	446	1,334
Depreciation	552	32	584
At 31 December 2020	1,440	478	1,918
Net book value			
At 31 December 2019	3,429	199	3,628
At 31 December 2020	2,877	167	3,044

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.

Management have performed an impairment review of the carrying value based on the net present value of future cash flows and have concluded that no impairment loss is required as at 31 December 2020.

13 Debtors

	2020	2019
	£000	£000
Trade debtors	403	435
Amounts due from Group undertakings	2,340	4,469
Prepayments and accrued income	1,511	1,202
Deferred tax asset (see note 18)	96	101
	4,350	6,207
Due within one year	4,350	6,207

Trade debtors is disclosed net of ECL of £11,000 (2019: £74,000).

Notes to the financial statements
for the year ended 31 December 2020

14 Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	12,208	10,988
	12,208	10,988

Cash at bank included £12,208,000 (2019: £10,954,000) 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

	2020	2019
	£000	£000
Bank loans and overdrafts	1,131	1,037
Lease liabilities (see note 17)	743	728
Amounts due to Group undertakings	1,040	1,758
Accruals and deferred income	250	316
Taxation and social security	149	183
Other creditors	183	179
	3,496	4,201

16 Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Lease liabilities (see note 17)	3,321	4,061
Provision for dilapidations	844	809
	4,165	4,870

17 Lease liabilities

Maturity analysis - contractual undiscounted cash flows

	2020	2019
	£000	£000
Expiring within one year	818	818
Expiring between one and five years	3,272	3,272
Expiring in more than five years	189	1,006
Total undiscounted lease liabilities at 31 December	4,279	5,096

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

	2020	2019
	£000	£000
Interest on lease liabilities	(90)	(102)
Income from sub-leasing ROU assets	637	456
	547	354

Sub-lease

	2020	2019
	£000	£000
Operating lease		
Lease income	637	456

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.

	2020	2019
Receivable	£000	£000
Less than one year	801	491
One to two years	400	801
Two to three years	388	400
Three to four years	388	388
Four to five years	363	388
More than five years	-	363
	2,340	2,831

Notes to the financial statements
for the year ended 31 December 2020

18 Deferred tax assets and liabilities

Movement in deferred tax during the year

	2020	2019
	£000	£000
Provision at 1 January	101	45
Deferred tax (debited)/credited to profit and loss for the period	(5)	56
Provision at 31 December	96	101

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

	2020	2019
	£000	£000
Tangible fixed assets	59	63
Change in Basis for IFRS 16	28	30
Other	9	8
	96	101

19 Capital and reserves

Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
160,000 (2019:160,000) ordinary shares of £0.01 each	2	2

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:

	2020			2019		
	Gross amounts	Amounts offset	Net amounts	Gross amounts	Amounts offset	Net amounts
	£000	£000	£000	£000	£000	£000
Amounts due from Group undertakings	2,340	-	2,340	4,469	-	4,469
Amounts due to Group undertakings	1,040	-	1,040	1,758	-	1,758

21 Transactions involving Directors, officers and others

At 31 December 2020 there were no loans and other transactions made to directors, officers or other related parties of the Company (2019: £nil).

22 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 2020 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