BNY Mellon Fund Managers Limited

Directors' report and financial statements

Registered number: 1998251

For the year ended 31 December 2010

BNY Mellon Fund Managers Limited

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BNY Mellon Fund Managers Limited

Board of directors and other information

Directors
G A Brisk
P Feeney
A Mearns
S Pryke

Secretary
BNY Mellon Secretaries (UK) Limited
160 Queen Victoria Street
London
EC4V 4LA

Auditor
KPMG Audit Plc
15 Canada Square
London
E14 5GL

Registered Office
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

Registered Number
1998251

BNY Mellon Fund Managers Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

Principal activities

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

The ACD of a fund is responsible for managing and administering the products in accordance with Financial Services Authority ("FSA") and Treasury Regulations The ACD may delegate its management and administration functions to third parties including associates subject to the FSA Regulations The Company has delegated the investment management of all unit trusts and ICVC's to Group companies, Newton Investment Management Limited, Walter Scott & Partners Limited and Standish Mellon Asset Management LLC Additionally, part of the administration of the aforementioned products has been delegated to The Bank of New York Mellon (International) Limited The Board regularly reviews the service levels received from these companies to ensure continual delivery of quality to the customer

The Company is authorised and regulated by the FSA, pursuant to the Financial Services & Markets Act 2000 All the Company's activities during the year are regulated and conducted within the permissions granted to the Company by the FSA

Results and dividends

The profit for the year after taxation amounted to £1,634,000 (2009 £950,000)

The directors do not recommend a dividend for the year ended 31 December 2010 (2009 £nil)

Business review

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

	2010	2009	Change
	£000	£000	%
Turnover	13,288	10,138	31%
Administrative expenses	(11,254)	(8,952)	26%
Net assets	16,208	14,574	11%
	£m	£m	%
Funds under management	22,107	16,661	33%

Turnover increased by 31% during the year This increase was driven by management fees, which are generated from daily fund valuations Year-on-year funds under management increased by £5,446m, and as at 31 December 2010 were £22,107m (2009 £16,661m)

Administrative expenses have increased 26% year-on-year, as a result of higher funds under management and associated unit holdings, which in turn have increased the recharges payable to other group companies Included within administrative expenses is a £2,514,000 interim levy raised by the Financial Services Compensation Scheme This levy was also recharged to another group company, resulting in a £nil net effect on the profit and loss account

Net assets increased 11% during the year, reflecting the current year profit

Future developments

During 2011, the Company will aim to continue its momentum in funds under management growth, through a continued focus on launching new products and servicing existing clients

BNY Mellon Fund Managers Limited

Directors' report - continued

Risk management process

The Company is a non BIPRU firm and is regulated by the FSA Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis At 31 December 2010, surplus regulatory capital, as reflected within the Company's regulatory returns, amounted to £9,543,000 (2009 £9,600,000)

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

Key committees are in place to oversee the risk management function and to ensure adequate risk management and controls are in place Each committee has clearly stated terms of reference and reporting lines Significant issues arising from these committees may be reported up to the appropriate EMEA or Asset Management committee

The key committees include

- Executive Operating Committee, The AMI Executive Committee is the senior governance and decision making forum within the Company and is made up of directors and senior managers

- Risk and Compliance Committee, The Company also operates a monthly Risk and Compliance Committee, chaired by the Head of Compliance and attended by the Head of Risk Management, directors and other senior managers The committee receives a report from the Head of Risk Management on current risk issues and activities The committee's remit extends to other companies within the BNY Mellon Asset Management International business

There are a number of regional key oversight committees in place to build on the U S Corporate Global Risk Management Framework

- The EMEA (Europe, Middle East, and Africa) Senior Risk Management Committee has an oversight responsibility covering the major risk sources (except Liquidity risk), including Compliance of the EMEA region The BNYM EMEA Risk Committee has representation from the key risk sources as well as Business Heads Reports are provided and reviewed covering the risk sources and any issues that need monitoring

- The EMEA Risk and Compliance Committee has oversight responsibility for the balance sheets of the U S branches in EMEA as well as local legal entities and its focus is primarily overseeing that liquidity risk is managed effectively

BNY Mellon Fund Managers Limited

Directors' report - continued

Risk management process

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

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

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

The Risk Appetite at Group level is set and owned by the BNY Mellon Board of Directors, giving the overall strategy and willingness to take on risk at a global level The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the group and in coordination with the relevant Business expertise

From September 2010, risks of the Company, have been measured, reported and monitored quarterly as part of the risk management framework which have been adopted by the Company The reporting measures risk and capital against their regulatory capital requirements as well as monitoring Pillar 2 risk assessments, the internal capital adequacy processes (ICAAP) and liquidity assessments

Credit risk

Credit risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties ability to perform The level of residual operational risk is managed by rigorous operating policies, procedures and controls

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets Market risk arises from foreign exchange exposure in respect of revenue, expenses, deposits and borrowings, and interest rate exposure on cash balances, deposits and borrowings

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes

Liquidity risk

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms

Directors' report - continued

Business risk

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy

Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation This risk is mitigated through senior management culture, training, integration of compliance policies and controls into business processes and independent compliance monitoring and oversight

Pillar 3 risk disclosures statement

Basel II Pillar 3 disclosures about the Company (capital and risk management) are covered by the Mellon International Holdings S à r l group disclosures which can be found on the group website (http //www bnymellon com/investorrelations/filings/index html)

Directors

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

	Appointment	Resignation
G A Brisk	-	-
P Feeney	-	-
I Harvey	-	11 March 2010
A Mearns	-	-
S Pryke	-	-

Directors' indemnity provision

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 (2009 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 Group's auditor is aware of that information

BNY Mellon Fund Managers Limited

Directors' report - continued

Auditor

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

By order of the Board

G A Brisk
Director

BNY Mellon Fund Managers Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA
21 April 2011

Registered number 1998251

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

BNY Mellon Fund Managers Limited

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

We have audited the financial statements of BNY Mellon Fund Managers Limited for the year ended 31 December 2010 set out on pages 10 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and to express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Paul Furneaux (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

21 April 2011

BNY Mellon Fund Managers Limited

Profit and loss account
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	13,288	10,138
Administrative expenses		(11,254)	(8,952)
Operating profit		2,034	1,186
Interest receivable and similar income	6	267	203
Interest payable and similar charges	7	(32)	(69)
Profit on ordinary activities before taxation		2,269	1,320
Taxation on profit on ordinary activities	8	(635)	(370)
Profit for the financial year		1,634	950

Notes 1 to 17 are integral to these financial statements

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

The Company has not prepared a separate statement of total recognised gains and losses as all gains and losses are reflected in the profit and loss account above

BNY Mellon Fund Managers Limited

Balance sheet
at 31 December 2010

	Notes	2010 £000	2009 £000
Current assets			
Debtors	9	116,431	79,086
Investments	10	818	849
Cash at bank and in hand	11	5,991	16,177
		123,240	96,112
Creditors amounts falling due within one year	12	(104,518)	(81,538)
Net current assets		18,722	14,574
Provision for liabilities	13	(2,514)	-
Net assets		16,208	14,574
Capital and reserves			
Called up share capital	14	1,625	1,625
Share premium account	15	6,000	6,000
Profit and loss account	15	8,583	6,949
Shareholders' funds		16,208	14,574

Notes 1 to 17 are integral to these financial statements

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

G A Brisk
Director
21 April 2011

Notes to the financial statements
at 31 December 2010

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

The following amendments to standards have been adopted in these financial statements for the first time and have not had a material impact

- Improvements to FRSs (mandatory for periods starting on/after 1 January 2010) including amendment to FRS 11 requiring disclosure of key assumptions used in determining value in use or net realisable value of an asset or IGU in an impairment loss calculation

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

- Amendment to FRS 25 Financial Instruments Presentation (mandatory for periods starting on/after 1 February 2010)

Basis of preparation

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

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 FRS 8 and has therefore not disclosed transactions with wholly owned subsidiaries which form part of the group

Cash flow statement

The Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, and is included in the consolidated financial statements of that company, which are publicly available Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

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 Directors' Report on page 3 In addition, the Directors' Report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk

The directors perform an annual going concern assessment that considers, under a stress test scenario, the Company's ability to meet its forecast financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed The Company has adequate liquidity, capital and appropriate cash flow management As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern 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

Notes to the financial statements - continued
at 31 December 2010

1 Accounting policies - continued

Turnover

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

Management fees are fees paid for the management of investment portfolios These are recognised as services are provided and are calculated on various formulae linked to the value of portfolios at invoicing dates and investment performance in current and previous periods Revenue is recognised for the element of management fees linked to performance, which is usually billed on a four-year rolling basis, when such fees in respect of each calendar year are receivable in accordance with management agreements

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments

Currently, the directors consider that the Company's services comprise one business segment (being the provision of investment management services) and that it operates in the UK, which is not geographically segmented

Interest, fees and commission

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined

BNY Mellon Fund Managers Limited

Notes to the financial statements - continued
at 31 December 2010

1 Accounting policies - continued

Taxation

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

Deferred tax is recognised without discounting on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity

Investments

Investments represent the stocks of units and shares held and are carried at fair value through profit and loss These are initially recognised at fair value and associated transaction costs are expensed in the profit and loss account Gains and losses arising from changes in the fair value based on quoted market prices are recognised through the profit and loss account

2. Analysis of turnover

By activity

	2010 £000	2009 £000
Management fees	217,932	166,881
Gross sales of units and shares	7,120,846	4,606,602
Total turnover	7,338,778	4,773,483
Net costs of units and shares created / liquidated	(3,173,220)	(1,923,851)
Repurchases of units and shares	(3,761,578)	(2,548,214)
Discounts	(184,638)	(129,930)
Commissions and other costs	(206,054)	(161,350)
Total cost of sales	(7,325,490)	(4,763,345)
Net Turnover	13,288	10,138

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2010 £000	2009 £000
Auditor's remuneration		
Audit of these financial statements pursuant to legislation	16	14
Other services pursuant to legislation	13	11
	29	25

4. Staff costs

The Company had no employees during the year ended 31 December 2010 (2009 nil)

5. Directors' emoluments

The directors did not receive any remuneration for their services in respect of the Company (2009 £nil)

6. Interest receivable and similar income

	2010 £000	2009 £000
Interest receivable from group undertakings	33	34
Interest earned on short-term deposits	234	169
	267	203

7. Interest payable and similar charges

	2010 £000	2009 £000
Net foreign exchange loss	29	66
Interest paid on external bank loans	3	3
	32	69

8. Taxation

Analysis of charge in the period	2010 £000	2009 £000
Taxation is based on profit before tax for the year and comprises		
Current corporation tax charge for the year at 28 0% (2009 28 0%)	635	370

BNY Mellon Fund Managers Limited

Notes to the financial statements - continued
at 31 December 2010

8. Taxation - continued

Factors affecting the tax charge for the current period

The current corporation tax charge for the year equals (2009 equals) the standard rate of tax for the year, as set out below

	2010 £000	2009 £000
Profit on ordinary activities before tax	2,269	1,320
Taxation on profit on ordinary activities at standard rate of 28 0% (2009 28 0%)	635	370

Factors that may affect future current and total tax charges

It was originally announced that the UK corporate income tax rate would be reduced from 28% to 27% with effect from 1 April 2011 In the 2011 budget on 23 March 2011 the UK government announced its intention to reduce the UK rate of corporate income tax from 28% to 26% with effect from 1 April 2011 with further reductions of 1% in each year until the standard rate will be 23% in 2014 However, as at 31 December 2010 this further rate reduction to 26% had not been substantively enacted

9. Debtors

	2010 £000	2009 £000
Trade debtors	94,649	61,865
Due from fellow Group undertakings	31	39
Prepayments and accrued income	21,715	17,078
Other debtors	36	104
	116,431	79,086

10. Investments

	2010 £000	2009 £000
Units held	818	849

Investments represent units held at the end of each day in each of the quoted unit trusts managed by the Company

11. Cash at bank

	2010 £000	2009 £000
Cash at bank	5,991	16,177

Cash at bank includes £354,000 (2009 £421,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon Group

Notes to the financial statements - continued
at 31 December 2010

12. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	93,296	67,894
Due to fellow undertakings	10,583	13,132
Taxation and social security	211	258
Accruals and deferred income	115	167
Other creditors	313	87
	104,518	81,538

13. Provision for liabilities

	2010 £000	2009 £000
At 1 January	-	-
Charge to the profit and loss for the year	2,514	-
At 31 December	2,514	-

Provisions at 31 December 2010 includes an amount of £2,514,000 that was charged to profit or loss during the year in respect of an interim levy raised by the Financial Services Compensation Scheme (FSCS), the UK's compensation fund of last resort for customers of authorised financial services firms, in respect of the Keydata Investment Services Limited failure FSCS levies are borne first by the member class that caused the loss event that a levy is intended to compensate The primarily-liable FSCS members in respect of the events that gave rise to the interim levy were the financial intermediary subclass, no blame has been accorded to the investment management subclass of which BNY Mellon Fund Managers Limited is a member However, as the interim levy was in excess of the annual limit that can be borne by financial intermediaries, the investment management subclass also has been levied

14. Called up share capital

	2010 £000	2009 £000
Allotted, called up and fully paid		
1,625,000 ordinary shares of £1 each	1,625	1,625

BNY Mellon Fund Managers Limited

Notes to the financial statements - continued
at 31 December 2010

15. Reserves

2010	Share capital account £000	Share premium account £000	Profit & loss account £000	Total £000
At 1 January	1,625	6,000	6,949	14,574
Profit for the financial year	-	-	1,634	1,634
At 31 December	1,625	6,000	8,583	16,208

2009	Share capital account £000	Share premium account £000	Profit & loss account £000	Total £000
At 1 January	1,625	6,000	5,999	13,624
Profit for the financial year	-	-	950	950
At 31 December	1,625	6,000	6,949	14,574

16. Transactions involving directors and officers

At 31 December 2010 there were no loans and other transactions made to directors and officers of the Company (2009 £nil)

17. Parent company

The immediate parent of the Company is BNY Mellon Asset Management International Holdings Limited, a company incorporated in England and Wales Copies of accounts for BNY Mellon Asset Management International Holdings Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ

The largest and smallest group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America

The ultimate parent company as at 31 December 2010 was The Bank of New York Mellon Corporation, incorporated in the United States of America The consolidated accounts of the ultimate parent company may be obtained from

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