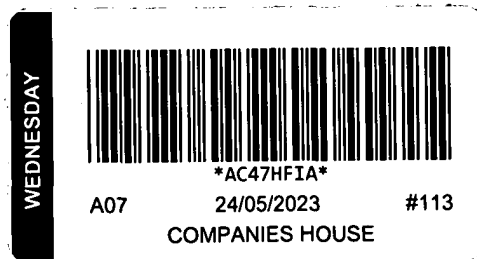


BNY Mellon Fund Managers Limited

Strategic report, Directors' report and financial statements

Registered number 01998251

31 December 2022



BNY Mellon Fund Managers Limited

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BNY Mellon Fund Managers Limited

Board of Directors and other information

Directors

S E Cox

C A Judd (Chair and Independent Non-Executive Director)

G D Rehn

M Saluzzi (Independent Non-Executive Director)

C Stallard

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Independent Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Registered Office

BNY Mellon Centre

160 Queen Victoria Street

London

EC4V 4LA

Registered Number

01998251

BNY Mellon Fund Managers 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 Fund Managers 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:

	2022 £000	2021 £000	Change £000	Change %
Revenue	13,653	14,183	(530)	(4)%
Administrative expenses	10,973	11,171	(198)	(2)%
Profit before taxation	2,826	3,017	(191)	(6)%
Net assets	24,217	21,928	2,289	10%
Year end assets under management	24,952,000	31,480,000	(6,528,000)	(21)%
Average assets under management	27,177,000	30,430,000	(3,253,000)	(11)%

The full year average of assets under management (“AUM”) decreased by £3,253,000,000 (11%) in 2022, with the largest contributing strategies being BNY Mellon (River and Mercantile) Global Equity Fund, BNY Mellon Real Return Fund, BNY Mellon Global Dynamic Bond Fund, BNY Mellon Global Equity Fund, BNY Mellon International Bond Fund and BNY Mellon Uk Equity Fund.

Net revenue decreased by £530,000 (4%) during the year. This is primarily due to decreased management fees caused by lower average AUMs in 2022.

Administrative expenses decreased by £198,000 (2%) during the year principally as a result of lower transfer agency charges mainly driven by a decrease in volume of transactions and distributions and lower fund administration charges as a result of year on year decrease in AUMs.

Net assets increased by £2,289,000 (10%) during the year, reflecting the current year profit after tax.

Principal risks and uncertainties

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

Business and future developments

During 2023, the Company will continue to focus on funds under management growth through launching new sub-funds, or sub-fund modifications and servicing existing clients.

BNY Mellon Fund Managers Limited

Strategic report

Approval

By order of the Board



C A Judd
Chair

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

26 April 2023

Registered number: 01998251

BNY Mellon Fund Managers Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2022.

Principal activities

The Company is authorised and regulated by the Financial Conduct Authority (FCA) as a UCITS firm and Alternative Investment Fund Manager. The principal activities of the Company are the management and administration of unit trusts and Investment Companies with Variable Capital ("ICVC") which are either UK Undertakings for Collective Investment in Transferable Securities ('UK UCITS') or Alternative Investment Funds ('AIFs') including Non-UCITS Retail Schemes ('NURS') (as defined within the FCA Handbook), collectively ('the Funds'). In its role, the Company acts as the Manager / Authorised Corporate Director ("ACD") (as relevant) for such products.

The Manager / ACD of a fund is responsible for managing and administering the Funds in accordance with the requirements of the Financial Conduct Authority ("FCA") Handbook and associated UK legislation. In its capacity as Manager / ACD, the Company delegates investment and administration functions to third parties including affiliates in accordance with FCA Regulations. The Company has delegated the investment management of the Funds to the following companies: Alcentra Limited, Insight North America LLC, Newton Investment Management Limited, Newton Investment Management North America LLC, Walter Scott & Partners Limited, Insight Investment Management (Global) Limited and Mellon Investments Corporation. Additionally, the administration of the Funds has been delegated to The Bank of New York Mellon (International) Limited. BNY Mellon Investment Management EMEA Limited is appointed as the Global Distributor of the Funds. The Board regularly reviews the service levels received from these companies to ensure continual delivery of quality to the customer.

All the Company's activities during the year were conducted within the scope of permissions granted to the Company by the FCA.

Results and dividends

The profit for the year after taxation amounted to £2,289,000 (2021: £2,444,000).

Interim dividends paid during the year amounted to £nil (2021: £nil). The directors do not recommend a final dividend for the year ended 31 December 2022 (2021: £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 (2021: Nil).

Risk management

The Company is authorised and regulated by the FCA. The Company is a collective portfolio management company for the purposes of the relevant prudential rules within the FCA Handbook. Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis. At 31 December 2022, surplus regulatory capital, as reflected within the Company's regulatory returns, amounted to £16,703,000 (2021: £12,721,000).

Governance and policies

Formal governance structures, policies and procedures, systems and controls have been established to ensure that the business operates within the risk framework and parameters determined by senior management. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management oversight is directed to relevant business activities.

BNY Mellon Fund Managers Limited

Directors' report

Risk management - continued

Governance and policies - continued

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 Company as part of the risk framework.

Formal governance committees are in place to oversee the design, development and execution of the risk programme to ensure adequate and effective risk management oversight and business 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 Group governance and/or operating committees.

- The Board has established the Risk and Compliance Committee ("RCC") which generally meets on a monthly basis, is chaired by the Head of Investment Management EMEA who is a member of the IM EMEA Executive Operating Committee. The Risk & Compliance Committee is attended by senior business representatives, certain directors of the Board and also representatives from Risk, Compliance, Legal and Internal Audit. The Committee receives a report from these control functions on current risk issues and activities.

There are a number of key oversight committees in place as part of the Group Global Risk Management Framework. The Group Investment Management Risk Committee, which has an oversight responsibility covering the major risk sources, is the most senior committee. The Group Investment Management Risk Committee is made up of senior Investment Management business managers and risk and compliance officers. Reports are provided and reviewed covering the risk sources and any issues that need monitoring.

Risk management process

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

Risks associated with the Company's operations are measured through production and assessment of key risk indicators and analysis, the results of which are formally reported to the RCC 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 the liquidity management framework.

BNY Mellon Fund Managers Limited

Directors' report

Risk management process - continued

Credit risk

Credit risk covers default risk from counterparties where realisation of the value of the asset is dependent on counterparties' ability to perform their obligations to the Company. Assets subject to credit risk held by the Company are primarily comprised of deposits with external banks which are subject to oversight both within the Group and on a legal-entity specific basis by the central Finance function and by the senior management of the Company through reporting provided to the RCC and to the Board.

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange (FX) exposure in respect of revenue, expenses, deposits and interest rate exposure on cash balances. Foreign exchange balance sheet exposures are actively managed through a monthly spot sell-off process of non-sterling currency balances by Group Treasury.

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. Operational Risk is managed and mitigated through application of Group operational risk framework as described above.

Liquidity risk

Liquidity risk is the risk that a company, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. Liquidity Risk is managed and mitigated through application of a common Liquidity Risk Management Framework utilised across the regulated subsidiaries within the UK consolidation group. The Company's liquidity position is monitored by the central finance function and by the senior management of the Company through reporting provided to the RCC and to the Board.

Business risk

Business risk includes risk to a company arising from changes in its business, including the risk that the company may not be able to carry out its business plan and its desired strategy. Business and strategic risks, including emerging and external risks, and product performance are monitored in formal governance and management committees and by the Board, supported by appropriate management information supplied by supporting functions.

Compliance risk

Compliance risk covers the risk relating to violations, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the company and its executors to fines, payment of damages, the voiding of contracts and damaged reputation. The Company has established a compliance programme designed to detect and minimise any risk of failure by the Company to comply with its obligations under the relevant regulations.

BNY Mellon Fund Managers Limited

Directors' report

Risk management process - continued

Conduct risk

Conduct risk is defined as the risk that detriment is caused to clients, the market, the Company or its employees because of inappropriate execution of our business activities or inappropriate behaviour by the Company or its employees. The Company is subject to the Group Code of Conduct and associated corporate policies governing the business conduct of the Company and individuals and/or entities that act on its behalf.

Geopolitical and other macro-environmental risks

The Company is exposed to geopolitical risks associated with political instability, terrorists acts, military conflicts, civil unrests and tensions between countries, which could impact its clients and cause disruption to business operations. In addition, epidemic and pandemic outbreaks are becoming more frequent and severe, and these could cause severe economic impacts on business sectors, economies and societies.

Several sanctions and other regulatory measures have been imposed on Russia due to its conflict with Ukraine which has among other things impaired normal global economic trading activities. BNY Mellon Group maintains controls, processes and policies that are designed to adhere to relevant sanctions laws and regulations in countries in which the Group operates. The Group continues to monitor any subsequent developments associated with the conflict whilst taking necessary actions where prompted. The Company continues to monitor developments and seek to manage the associated impacts on customers, service delivery and business operations.

As COVID-19 pandemic subsided during the year, BNY Mellon Group moved to a hybrid working model with the pandemic having a minimal impact on the Company's performance during the year.

MIFIDPRU 8 Disclosure

Disclosures required by MIFIDPRU 8 describing the Company's financial strength, risk management objectives and policies, governance arrangements, and remuneration policy and practices can be found via www.bnymellonim.com.

Directors

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

	Appointed	Resigned
G A Brisk	-	2 March 2023
S E Cox	-	-
A M Islam	-	11 January 2023
C A Judd	-	-
G D Rehn	-	-
M Saluzzi	-	-
C Stallard	1 February 2023	-

BNY Mellon Fund Managers Limited

Directors' report

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 (2021: £nil).

Disclosure of information to Auditor

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

Post balance sheet events

There were no material post balance sheet events.

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



C A Judd
Chair

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

26 April 2023

Registered number: 01998251

BNY Mellon Fund Managers 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, relevant and reliable;
- 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 Fund Managers Limited

Opinion

We have audited the financial statements of BNY Mellon Fund Managers Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of profit or loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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 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 Fund Managers 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 inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reviewing minutes of the Board of Directors and Risk and Compliance Committee minutes; and
- considering remuneration incentive schemes and performance targets for management.

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 and taking into account our overall knowledge of the control environment, we performed 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. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and all post year end closing journals.

Identifying and responding to risks of material misstatement related to 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 and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

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.

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

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, taxation legislation and financial services 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 or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, anti-money laundering, market abuse regulations and financial services regulations including Client Assets, and specific areas of regulatory capital and liquidity and certain aspects of company legislation, recognising the financial and regulated nature of the Company's activities and its legal form. 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.

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.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

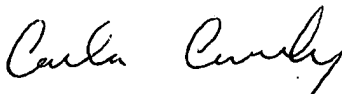
Auditor's responsibilities

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

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

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

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



**Carla Cassidy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants
15 Canada Square
London, E14 5GL*

26 April 2023

BNY Mellon Fund Managers Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2022

		2022	2021
	Note	£000	£000
Revenue	2	13,653	14,183
Administrative expenses		(10,973)	(11,171)
Operating profit	3	2,680	3,012
Interest receivable and similar income	5	194	14
Interest payable and similar charges	6	(48)	(9)
Profit before taxation		2,826	3,017
Taxation on profit	7	(537)	(573)
Total comprehensive income for the financial year		<u>2,289</u>	<u>2,444</u>

Notes 1 to 14 are integral to these financial statements.

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

The Company had no items going through other comprehensive income during the year (2021: £nil).

BNY Mellon Fund Managers Limited

Balance sheet at 31 December 2022

	Note	2022 £000	2021 £000
Current assets			
Debtors	8	61,623	51,245
Cash at bank and in hand	9	38,393	38,590
Other assets	10	697	650
		<u>100,713</u>	<u>90,485</u>
Creditors: amounts falling due within one year	11	(76,496)	(68,557)
Net current assets		<u>24,217</u>	<u>21,928</u>
Net assets		<u>24,217</u>	<u>21,928</u>
Capital and reserves			
Called up share capital	12	1,625	1,625
Share premium		6,000	6,000
Profit and loss account		<u>16,592</u>	<u>14,303</u>
Shareholders' funds		<u>24,217</u>	<u>21,928</u>

Notes 1 to 14 are integral to these financial statements.

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



C A Judd
Chair

26 April 2023

Company registered number: 01998251

BNY Mellon Fund Managers Limited

Statement of changes in equity

31 December 2022

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	1,625	6,000	11,859	19,484
Total comprehensive income for the financial year	-	-	2,444	2,444
Balance at 31 December 2021	1,625	6,000	14,303	21,928

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	1,625	6,000	14,303	21,928
Total comprehensive income for the financial year	-	-	2,289	2,289
Balance at 31 December 2022	1,625	6,000	16,592	24,217

Notes 1 to 14 are integral to these financial statements.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

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 and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which is considered equivalent to International Financial Reporting Standards (Adopted IFRSs). The Bank of New York Mellon Corporation's consolidated financial statements are available at <https://www.bnymellon.com/us/en/investor-relations/overview.html>. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 (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;
- Disclosures in respect of capital management; and
- Disclosures in respect to transactions with wholly owned subsidiaries.

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:

- 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 1.12.

1.2 Changes in accounting policies

New and amended accounting standards and interpretations

- i. New standards, interpretations and amendments effective from 1 January 2022

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies - continued

1.2 Changes in accounting policies - continued

- Amendments to IFRS 3, '*Business combinations*' update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, '*Property, plant and equipment*' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, '*Provisions, contingent liabilities and contingent assets*' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, '*First-time Adoption of IFRS*', IFRS 9, '*Financial instruments*', IAS 41, '*Agriculture*' and the Illustrative Examples accompanying IFRS 16, '*Leases*'.

The amendments have had no material impact on the Company's accounting policies.

ii. New standards, interpretations and amendments not yet effective.

The Company has not early adopted any new standard, interpretations and amendments not yet effective as at 1 January 2022. However, they are not expected to have a significant impact on the Company's financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 & IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- IFRS 17, 'Insurance contracts' as amended in December 2021 and related amendment to IFRS 101 reduced disclosure framework.

1.3 Measurement convention

These financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through Statement of profit and loss.

1.4 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 3. In addition, the Directors' report on pages 4 to 8 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit and liquidity risk.

The Company currently holds capital above regulatory capital requirements as at year end. 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.

The directors have had regard to management's 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:

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies - continued

1.4 Going concern - continued

- Stress tests on reasonably plausible scenarios in management and performance related fees charged on assets under management in addition to inflationary stress on expenses and maintaining these levels for at least a year from the date of signing the financial statements;
- Liquidity position based on current and projected cash resources. The Company's current cash/liquidity position is able to sustain its current operational costs for at least a year even with a significantly reduced revenue scenario;
- Reverse stress tests, and;
- The Company's operational resilience on existing processes and key stakeholders such as suppliers, employees, customers and existing IT 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 a period of at least twelve months after the date that the financial statements are signed. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.5 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group. Balances with other members of the Group are disclosed with notes 5, 6, 8, 9 and 11.

1.6 Foreign currency

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

1.7 Revenue from contracts with customers

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

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

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies - continued

1.7 Revenue from contracts with customers - continued

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

1.8 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 gains or losses that are recognised in the Statement of profit and loss and other comprehensive income (see note 1.6). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

1.9 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.

1.10 Non-derivative financial instruments - classification and measurement & recognition

i) Classification of non-derivative financial instruments

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities. Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument. IFRS 9 classification is based on two aspects: the business model within which the asset is held (the business model test) and the contractual cash flows of the asset in relation to the solely payments of principal and interest ('SPPI') test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The Company determines the classification at initial recognition. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- 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 specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies - continued

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- 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 specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVPL.

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.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely payments of principal and interest (SPPI) criteria

‘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.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies - continued

Amortised Cost

The Company classifies financial assets at amortised cost where the business model is to hold these assets to collect contractual cash flows and the SPPI criteria has been met. Such financial assets include trade and other debtors. Loans and borrowings and trade and other creditors are measured at amortised cost using the effective interest rate method.

Fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test. A financial asset can be classified in this category by choice if so, designated by management at inception. This designation is because the relevant assets and liabilities are managed together, and internal reporting is evaluated on a fair value basis. The Company defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Fair value through other comprehensive income

The Company has no financial instruments designated at fair value through other comprehensive income.

ii) Initial recognition of non-derivative financial instruments

All financial assets are initially recognised at fair value plus or minus directly attributable transaction costs on a trade date basis. The Company's financial liabilities are 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.

iii) Subsequent valuation of non-derivative financial instruments

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of debt instruments classified as fair value through comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the income statement. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the income statement using the effective interest rate method.

Financial liabilities are subsequently measured at amortised cost or FVTPL.

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

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

Measurement of ECL

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

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies - continued

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

- 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.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL using the simplified approach by applying a provision matrix as a practical expedient under IFRS 9 to estimate the ECL.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.12 Accounting estimates and judgements

In preparing these financial statements, management has made no material estimates and significant accounting judgements.

2 Revenue from contracts with customers

Nature of services and revenue recognition

Fee revenue in investment management is primarily variable, based on levels of assets under management (“AUM”) and the level of client-driven transactions, as specified in fee schedules.

Investment management fees are dependent on the overall level and mix of AUM. The management fees, expressed in basis points, are charged for managing those assets. Management fees are typically subject to fee schedules based on the overall level of assets managed and products in which those assets are invested.

Investment management fee revenue also includes transactional and account-based fees. These fees along with distribution and servicing fees are recognised when the services have been complete. Clients are generally billed for services performed on a monthly or quarterly basis.

Performance fees are generally calculated as a percentage of the applicable portfolio’s performance in excess of a benchmark index or a peer group’s performance. Performance fees are recognized at the end of the measurement period when they are determinable.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

2 Revenue from contracts with customers - continued

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 £18,301,000 at 31 December 2022 (2021: £21,220,000). 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 other assets on balance sheet.

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.

By activity

	2022	2021
	£000	£000
Management fees	210,198	222,689
Net gain from dealing in investments and managed funds (refer below)	1	-
Gross revenue	210,199	222,689
Sub-advisory fees, commissions and other costs	(196,546)	(208,506)
Revenue	13,653	14,183

Net gain from dealing in investments and managed funds is calculated as follows:

Gross sale of units and shares	4,670,687	5,712,316
Net gains on creations/liquidations	4,646,241	1,272,482
Repurchases of units and shares	(9,316,917)	(6,984,770)
Discounts	(10)	(28)
Net gain from dealing in investments and managed funds	1	-

3 Administrative expenses and auditor's remuneration

Auditor's remuneration:

	2022	2021
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	127	125

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

4 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.

	2022	2021
	£000	£000
Directors' emoluments	454	624
Amounts receivable under long term incentive schemes	53	173
Company contributions to money purchase pension plans	32	13
	<u>539</u>	<u>810</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £209,000 (2021: £451,000), and Company pension contributions of £27,000 (2021: £1,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director did not exercise share options but did receive shares under a long term incentive scheme.

	Number of Directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	5
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	4	4

5 Interest receivable and similar income

	2022	2021
	£000	£000
Net foreign exchange gain	-	11
Receivable from third parties on bank deposits	4	2
Receivable from Group undertakings	190	1
Total interest receivable and similar income	<u>194</u>	<u>14</u>

6 Interest payable and similar charges

	2022	2021
	£000	£000
Net foreign exchange loss	7	-
Payables on bank loans and overdrafts from third parties	-	3
Payable to Group undertakings	41	6
Total interest payable and similar charges	<u>48</u>	<u>9</u>

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

7 Taxation

Recognised in the profit and loss and other comprehensive income account

	2022	2021
	£000	£000
UK corporation tax & Foreign tax		
Current tax on profit for the period	537	573
Total tax expense	<u>537</u>	<u>573</u>

Factors affecting total tax charge for the current period

	2022	2021
	£000	£000
Total profit for the year	2,289	2,444
Total tax expense	<u>537</u>	<u>573</u>
Profit excluding taxation	2,826	3,017
Tax using the UK corporation tax rate of 19.00% (2021: 19.00%)	<u>537</u>	<u>573</u>
Total tax expense	<u>537</u>	<u>573</u>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantially enacted on 10 June 2021. This will increase the company's future tax charge accordingly.

8 Debtors

	2022	2021
	£000	£000
Trade debtors	36,785	27,592
Amounts owed by Group undertakings	6,528	2,724
Prepayments and accrued income	<u>18,310</u>	<u>20,929</u>
	<u>61,623</u>	<u>51,245</u>
Due within one year	<u>61,623</u>	<u>51,245</u>

9 Cash at bank and in hand

	2022	2021
	£000	£000
Cash at bank and in hand	<u>38,393</u>	<u>38,590</u>

Cash at bank included £15,343,000 (2021: £13,428,000) of funds on deposit with a UK regulated banking entity within the Group.

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

9 Cash at bank and in hand - continued

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 balances. All overdrafts are with the Bank of New York Mellon London Branch.

10 Other assets

	2022	2021
	£000	£000
Other assets	697	650

Other assets relate to amounts held in relation to the Company's Prudent Segregation Policy. Under this policy, the Company is required to segregate an amount of its assets in a client money account to ensure its clients are protected from loss in the event of the Company's insolvency.

11 Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Bank loans and overdrafts	2,789	2,198
Trade creditors	52,562	41,549
Amounts owed to Group undertakings	20,783	24,413
Accruals and deferred income	321	348
Taxation and social security	41	49
	76,496	68,557

12 Called up share capital

Share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,625,000 ordinary shares of £1 each (2021: 1,625,000)	1,625	1,625

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13 Transactions involving Directors, officers and others

At 31 December 2022, there were no loans or other transactions made to directors, officers and other related parties of the Company (2021: £nil).

BNY Mellon Fund Managers Limited

Notes to the Financial Statements for the year ended 31 December 2022

14 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY Mellon Investment Management EMEA Limited, a company registered in England and Wales. BNY Mellon Investment Management EMEA Limited's registered address is 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 2022 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
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New York, NY
10286
USA