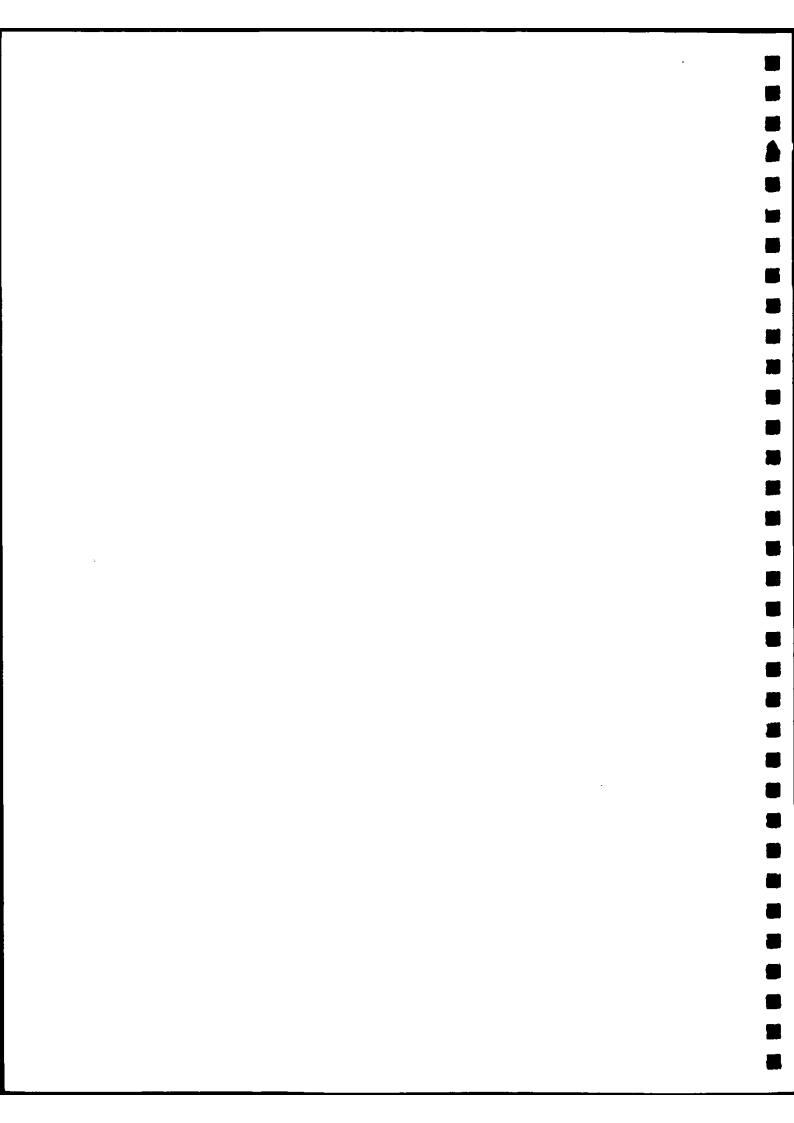
Directors' report and financial statements

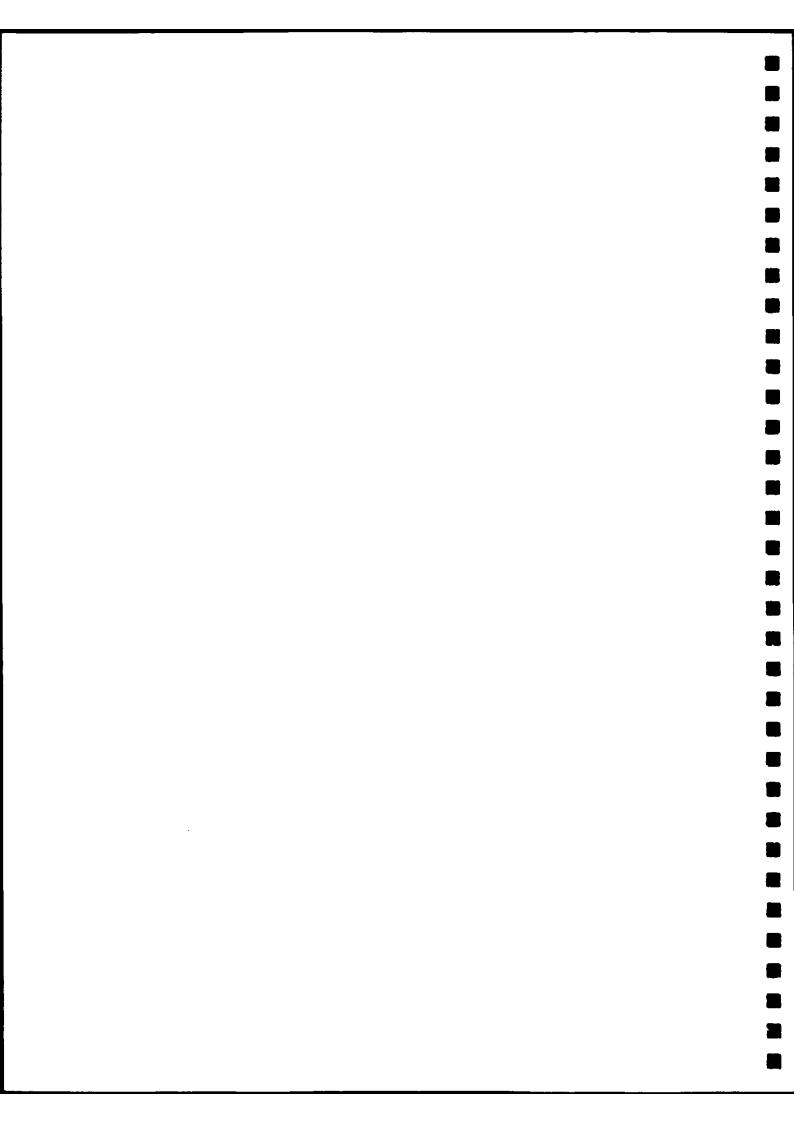
Registered number: SC93685

For the year ended 31 December 2013





Contents	Pages
Board of directors and other information	2
Directors' report	3 - 6
Statement of directors' responsibilities	7
Independent auditor's report	8
Profit and loss account	9
Statement of total recognised gains and losses	9
Balance sheet	10
Cash flow statement	11
Notes to the financial statements	12 – 23



Board of directors and other information

Directors

K J Lyall (Chairman) deceased 13 June 2013 R H Nisbet (Executive Chairman)

J E Henderson (Managing Director)

J Clark (Founder) resigned 1 February 2013

J D Smith

P J White resigned 31 May 2013

A Lyon Dean resigned 26 June 2013

E L Pearston

R M Leckie

C E Macquaker

M Harris

Secretary

Colin J Wood One Charlotte Square

Edinburgh EH2 4DR

Auditor

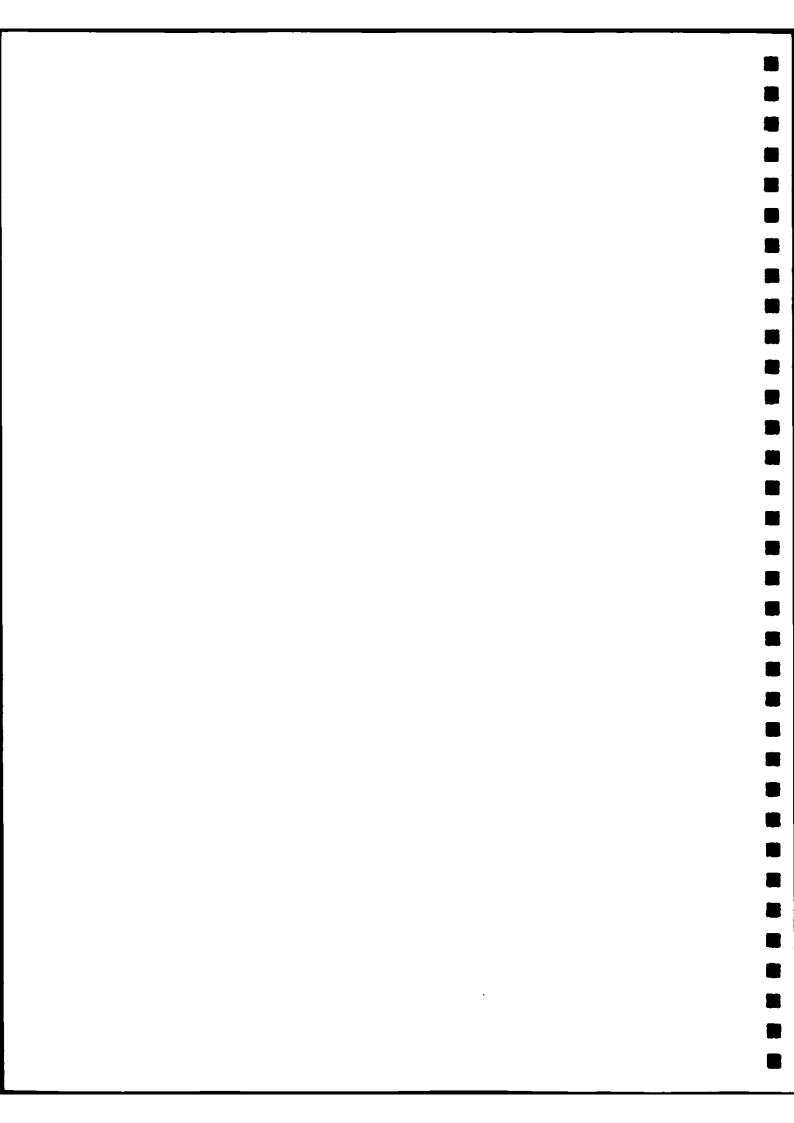
KPMG Audit Plc Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

Registered Office

One Charlotte Square Edinburgh EH2 4DR

Registered Number

SC93685



Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of Walter Scott & Partners Limited ("the company") is the provision of global equity portfolio management services to institutional clients drawn from around the world.

The company is authorised and regulated by the Financial Conduct Authority ("FCA") pursuant to the Financial Services & Markets Act 2000. All of the company's activities during the year are regulated and conducted within the scope of permissions granted to the company by the FCA.

Additionally, Walter Scott is registered in the USA with the SEC; the regulator in South Africa; in Canada the firm operates under the International Adviser Exemption with the provincial regulators in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland & Labrador, Nova Scotia, Prince Edward Island, Quebec, Saskatchewan and Ontario (where it also holds the Exempt Market Dealer registration for its Canadian pooled funds). Walter Scott operates in Australia under an ASIC Class Order 03/1099 exemption and in Japan under the offshore investment manager exemption.

Results and dividends

The profit for the year after taxation amounted to £109,785,048 (2012: £68,971,689).

Dividends paid during the year ended 31 December 2013 were £5,000,000 (2012: £40,000,000).

Business review

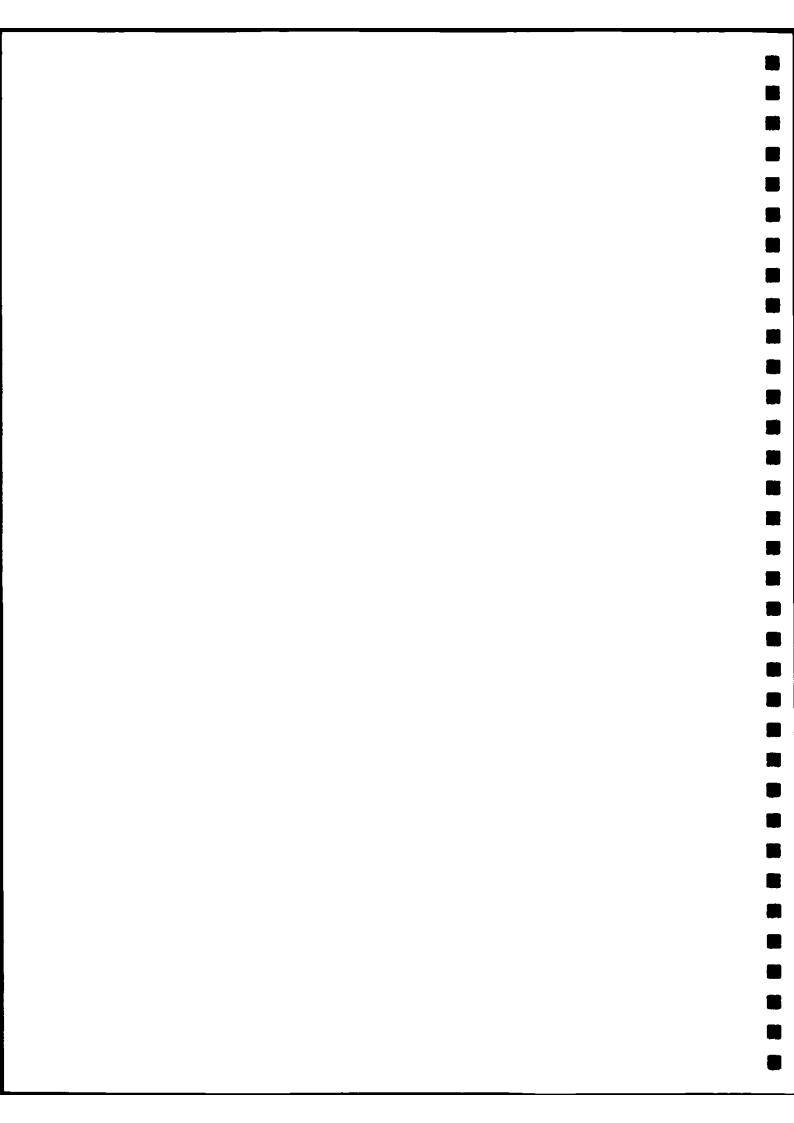
The company has continued to operate profitably and there have been no significant changes in its operations during the year. The company is a wholly owned subsidiary of the Bank of New York Mellon Corporation.

Walter Scott is a provider of global equity portfolio management services to institutional investors around the world. The business has consistently applied the same investment philosophy and investment process throughout its entire history.

The objective for all long term investors is to maintain and enhance the after inflation, purchasing power of their assets. Walter Scott targets long term compound real returns of 7% to 10% per annum for the portfolios it manages. This is most likely to be achieved by investing in companies with high rates of internal wealth generation which in time translates into total return for the investor. Thus the firm's research efforts are directed towards identifying companies that meet its investment criteria.

The principal risk to the company's long-term success is investment performance. Its ability to attract and retain clients is largely a function of its investment results.

The company's revenues are exposed to equity market risk and currency risk. The flexible cost base, with a relatively low percentage of fixed costs, ensures that profit margins can be sustained in times of market downturn.



Directors' report - continued

Business review - continued

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

	2013 £	2012 £	Change %
Turnover	203,563,605	160,332,891	27%
Administration expenses	60,059,278	65,522,847	-8%
Net assets	242,744,036	136,435,580	78%
Assets under management	44.6 billion	36.7 billion	22%

Risk management

The company is a BIPRU limited licence firm and is regulated by the FCA. Capital and other financial returns are prepared and submitted to the regulator on a quarterly or six monthly basis as required. At 31 December 2013 regulatory capital as reflected within the company's regulatory returns amounted to £131.4 million (2012: £108.3 million).

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 compliance and risk management of the business to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines.

The key committees are:

- The Executive Management Committee
- The Client Service Group
- The Investment Management Group
- The Operations Group
- The Risk and Compliance Committee
- · The Remuneration and Nominations Committee

Risk management process

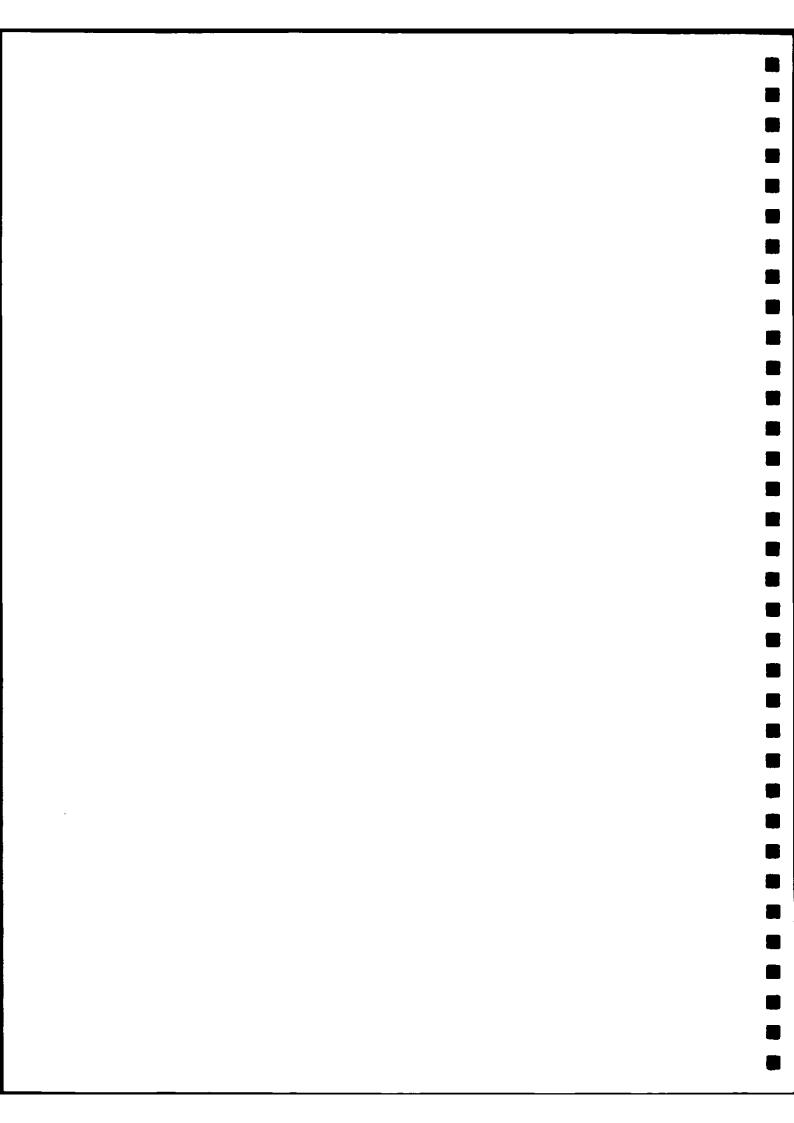
Independent oversight of risk is the responsibility of the Risk and Compliance (R&C) team.

Risk is addressed by Walter Scott's R&C team which is independent of the investment management and operations functions.

Walter Scott produces a high level risk assessment and a more detailed Risk Control Self-Assessment (RCSA) model which examines risk across all areas of business. All identified risks are assessed on a likelihood and impact scale and on an inherent and residual basis.

The RCSA supports the development of the compliance monitoring programme which is risk based and reviews the firm's policies and underlying processes.

A high level risk assessment is conducted quarterly and submitted to the Risk and Compliance Committee (RCC) for approval, In addition the RCC receives a monthly risk report which includes a high level risk assessment and key risk indicators.



Directors' report - continued

Pillar 3 risk disclosures

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

Donations

Charitable donations totalled £225,697 (2012: £150,170). The annual donations are administered by an informal committee. The Walter Scott & Partners Foundation is used to channel Walter Scott's charitable activities. The policy is predominantly directed towards charities providing services and support to various groups facing special challenges, those providing education and smaller, local charities.

Employees

The company is committed to a best practice approach to consult with employees on matters that are likely to affect their interests.

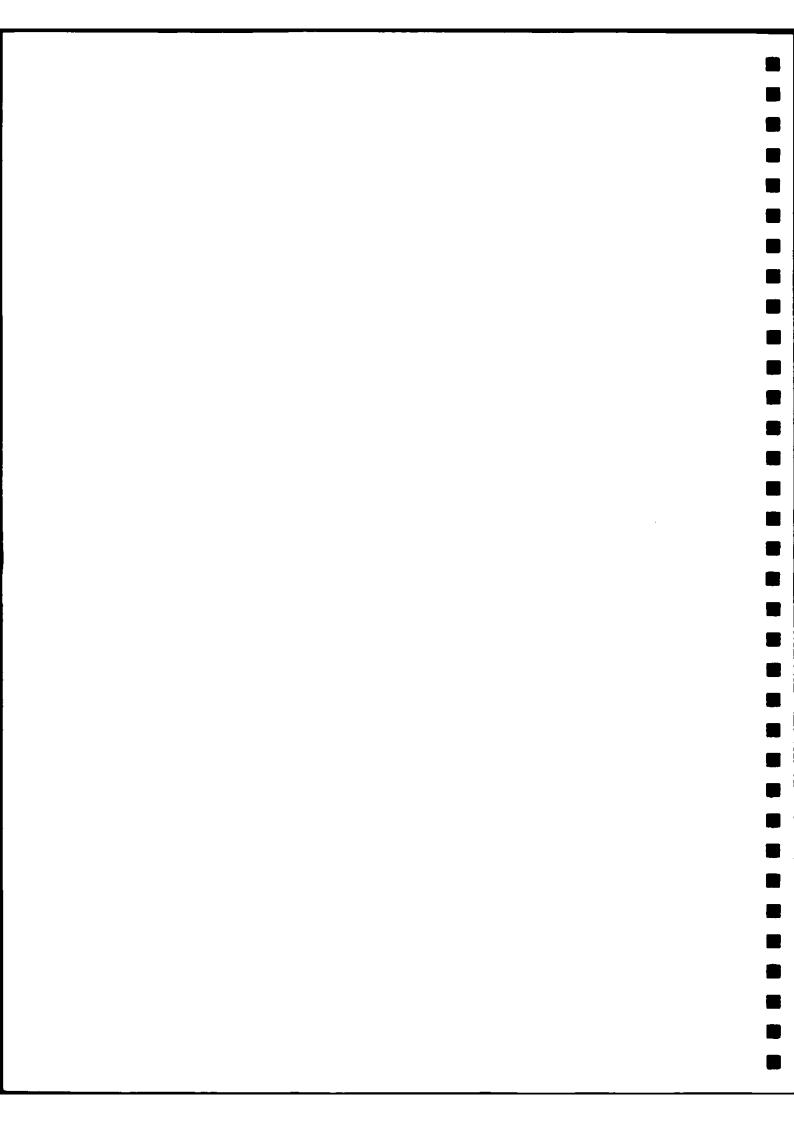
The company adopts a total rewards and pay for performance remuneration philosophy. Any remuneration elements awarded in respect of profit share and long-term incentives are discretionary, based on individual and business unit performance together with other factors as determined from time to time in the context of the company's operating plans and results. All employees have the opportunity to purchase BNY Mellon stock through the group's Employee Stock Purchase Plan and the key business drivers are eligible to participate in a long term incentive scheme which links their compensation to the growth in value and financial performance of the company.

The company is also committed to providing relevant training and development opportunities, including achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The company adheres to the principles of Equal Employment Opportunity.

Directors

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

Directors	Appointment	Resignation/Change
J Clark		1 February 2013
M Harris		
J E Henderson		
R M Leckie		
K J Lyall		13 June 2013
A Lyon Dean		26 June 2013
C E Macquaker		
R H Nisbet		
E L Pearston		
J D Smith		
P J White		31 May 2013



Directors' report - continued

Directors' indemnity provisions

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.

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 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 auditor is aware of that information.

Auditor

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

By order of the Board

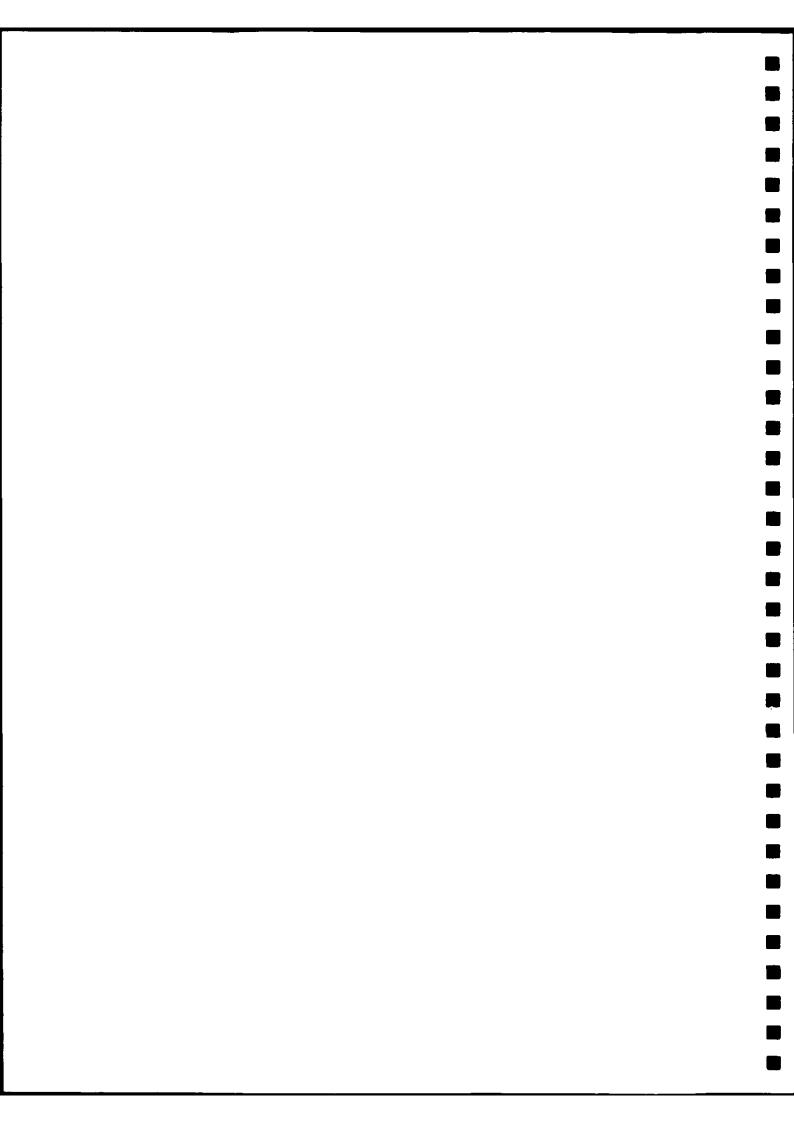
Jane Mender -

Jane Henderson Director

Walter Scott & Partners Limited One Charlotte Square Edinburgh EH2 4DR

31 March 2014

Registered number: SC93685



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

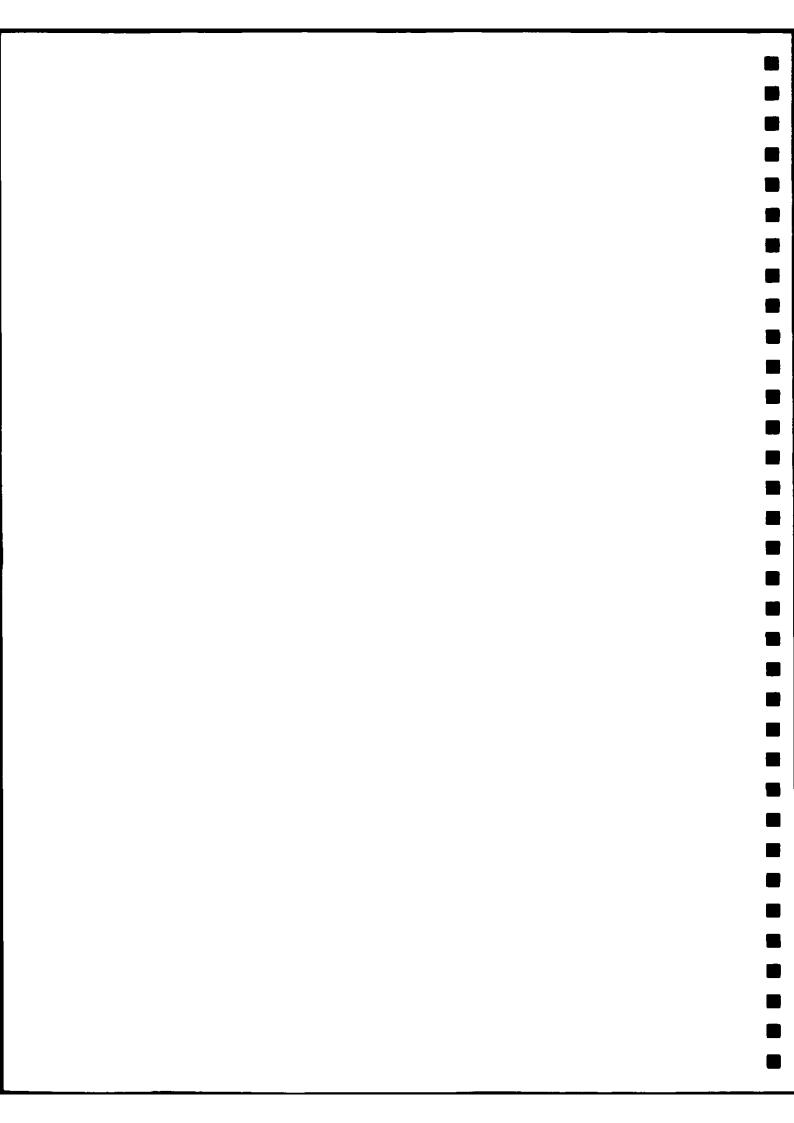
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 judgements 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.



Independent auditor's report to the members of Walter Scott & Partners Limited

We have audited the financial statements of Walter Scott & Partners Limited for the year ended 31 December 2013 set out on pages 9 to 23. 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 the auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 and of the company's 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- · the company 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.

Catherine Burnet (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

Saltire Court 20 Castle Terrace Edinburgh March 2014

Profit and loss account for the year ended 31 December 2013

		2013	2012
	Notes	£	£
Turnover Administrative expenses	2	203,563,605 (60,059,278)	160,332,891 (65,522,847)
Operating profit		143,504,327	94,810,044
Interest receivable and similar income Foreign exchange (losses) Other finance costs	7	1,103,205 (579,611) (2,211)	981,837 (1,330,112) (1,374,000)
Profit on ordinary activities before taxation	3	144,025,710	93,087,769
Tax on profit on ordinary activities	8	(34,240,662)	(24,116,080)
Profit for the financial year		109,785,048	68,971,689

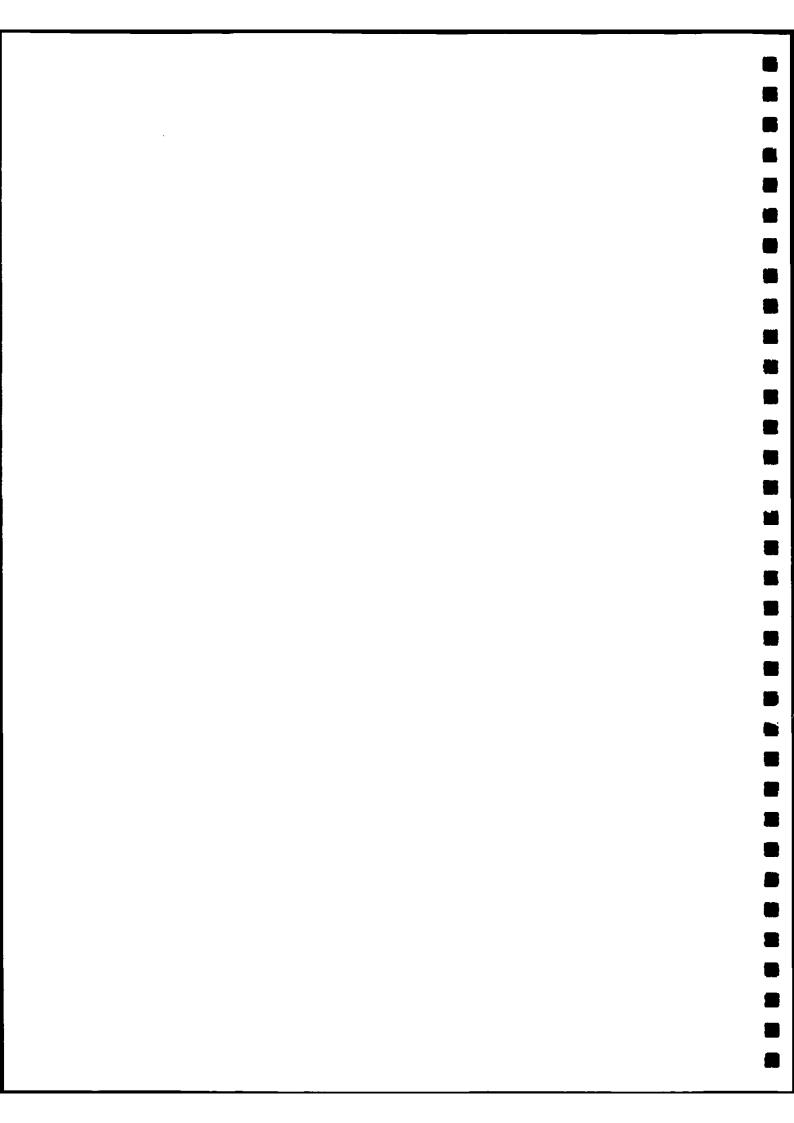
Notes 1 to 25 are integral to these financial statements.

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

The profit after taxation of the company for the financial year was £109,785,048 (2012: £68,971,689).

Statement of total recognised gains and losses for the year ended 31 December 2013

		2013	2012
	Notes	£	£
Profit for the financial year Actuarial loss on retirement benefit agreement	23	109,785,048 -	68,971,689 (2,695,000)
Deferred tax arising on losses on the retirement benefit agreement		-	619,850
Change in deferred tax rate	_	<u>-</u>	(528,320)
Total recognised gains and losses relating to the financial year Prior year adjustment		109,785,048	66,368,219
Total recognised gains and losses since last annual report	_	109,785,048	66,368,219



Balance sheet at 31 December 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	9 10	1,331,554	1,180,317
Investments	10 _	507,275	507,275
Current assets		1,838,829	1,687,592
Cash at bank and in hand	11	273,755,841	167.894,828
Debtors	12 _	62,905,033	48,735,281
		336,660,874	216,630,109
Creditors: amounts falling due within one year	13	72,942,346	45,615,471
Operational expense provision	24 _	22,813,321	11,977,000
Net current assets		240,905,207	159,037,638
Total Assets less current liabilities	_	242,744,036	160,725,230
Post retirement liability	23	-	(24,289,650)
Net Assets including post retirement liability	_	242,744,036	136,435,580
Capital and reserves			
Called up share capital	15	25,126	25,126
Profit and loss account	16	238,080,914	133,295,866
Share based payments reserve account	21	4,637,996	3,114,588
Shareholders' funds	17 _	242,744,036	136,435,580

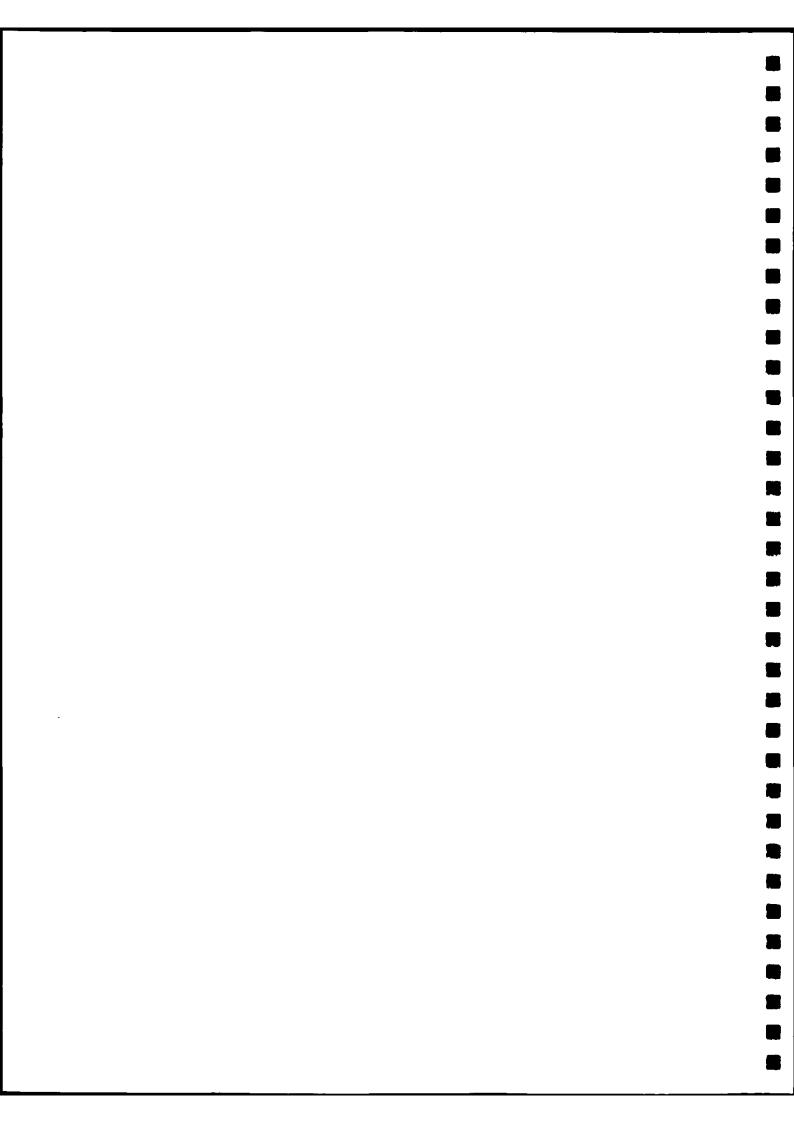
Notes 1 to 25 are integral to these financial statements.

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

EuReceston

Elizabeth Pearston Director

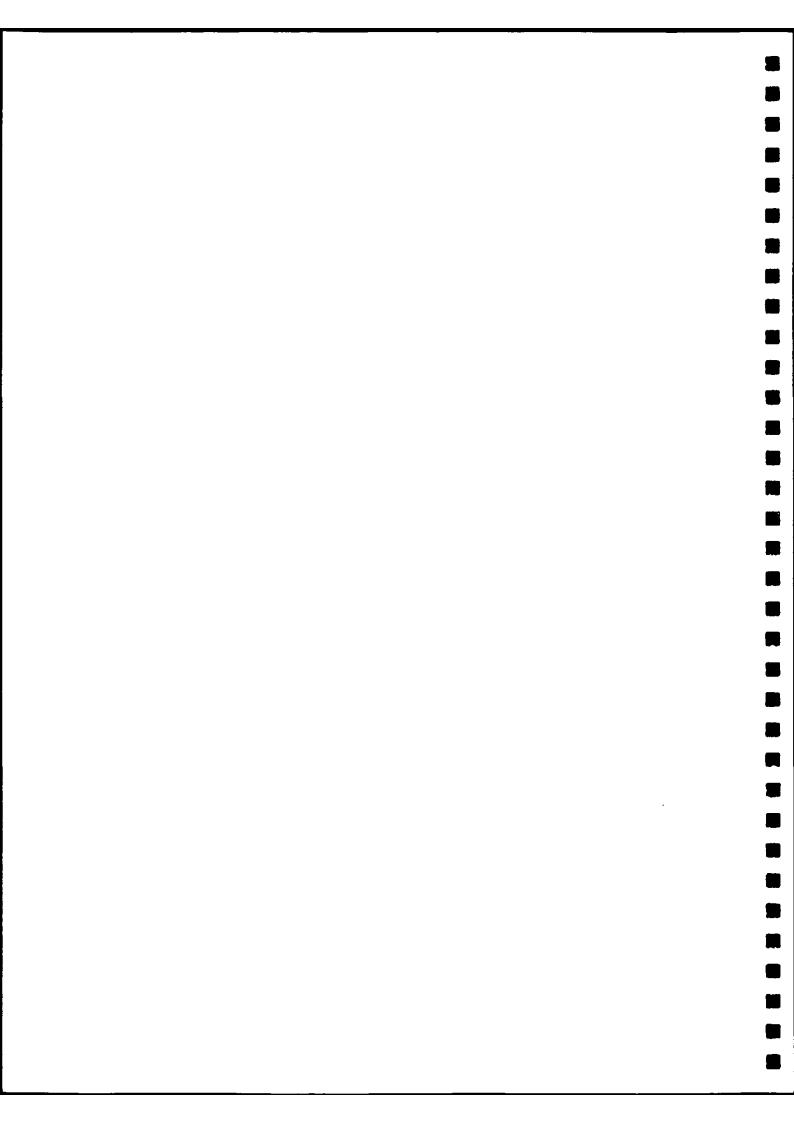
31 March 2014



Cash flow statement for the year ended 31 December 2013

	Notes	2013 £	2012 £
Net cash inflow from operating activities	18 (a)	144,536,899	110,178,679
Returns on investments and servicing of finance Interest received and similar income Investment income received		1,103,205	981,837 -
Interest paid		(2,211)	
Net cash inflow from returns on investments and servicing of finance		1,100,994	981,837
Taxation		(27,050,272)	(27,444,284)
Capital expenditure and financial investment Payments to acquire tangible fixed assets Gain on disposal of tangible fixed assets Release of pension obligation		(463,020) 12 (7,263,600)	(283,260) 416 -
Net cash outflow from capital expenditure and financial investment	_	(7,726,608)	(282,844)
Equity dividends paid to shareholders		(5,000,000)	(40,000,000)
Increase in cash	18 (b)_	105,861,013	43,433,388

Notes 1 to 25 are integral to these financial statements.



Notes to the financial statements At 31 December 2013

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.

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.

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

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 or balances with wholly owned subsidiaries which form part of the BNYMellon Corporation.

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 an overview of the company's objectives, policies and processes for managing its 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 and capital, and appropriate cash flow management. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

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.

Turnover

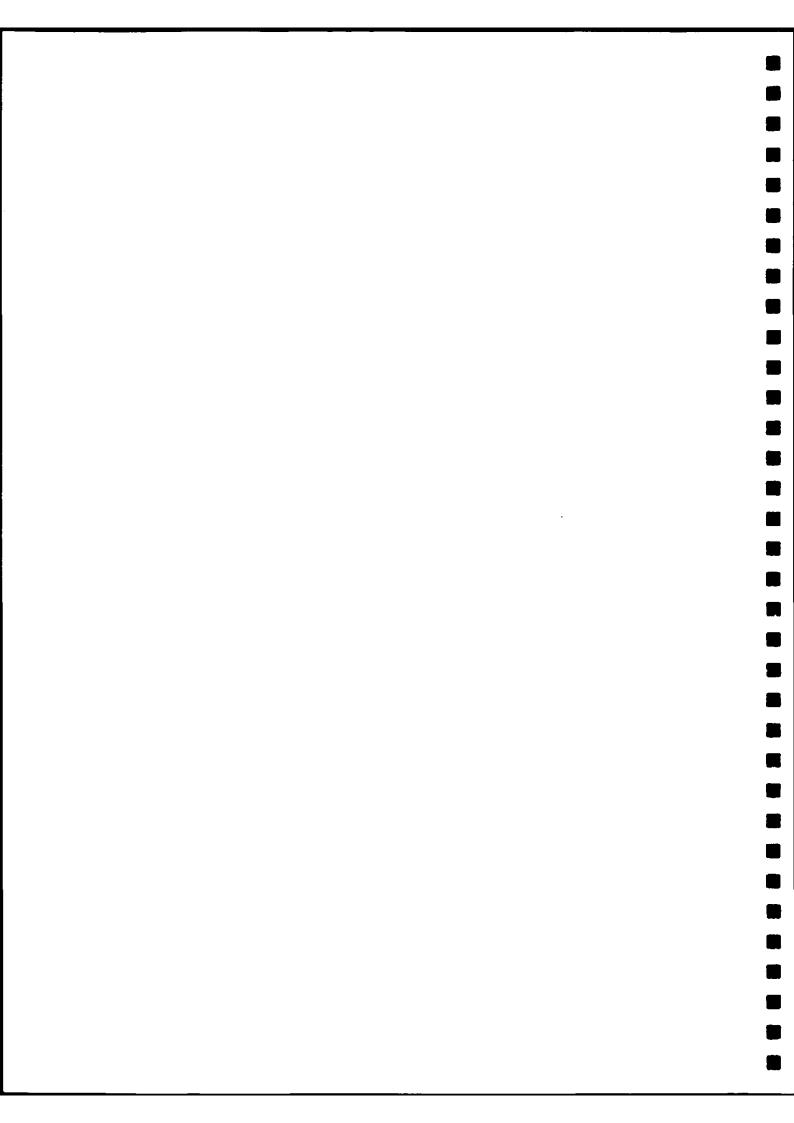
Turnover, which is stated net of value added tax, comprises fees receivable for investment management and administration services, accounted for on an accruals basis, and performance fees which are recognised at the end of the performance period to which they relate when there is sufficient comfort as to the amount receivable.

Interest

Interest, both income and expense, is recognised on an accruals basis.

Operating leases

Rentals are charged to the profit and loss account on a straight line basis over the period of the lease.



Notes to the financial statements - continued At 31 December 2013

Accounting policies - continued

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.

Long term incentive plans

The company has in place a long term incentive plan for its employees. Long term incentive awards are delivered in the form of BNYMellon Corporation Restricted Stock and Units in a Mellon Long Term Global Equity Fund managed by Walter Scott & Partners Limited. Employees are generally prevented from selling or transferring restricted stock for a three or four year period (the vesting period) and generally the shares and units are forfeited if employment is terminated. The BNY Mellon stock is accounted for as a share based payment under FRS 20. Units in the Global Equity Fund are treated as deferred cash and are accounted for in the year that they are awarded.

Share based payments

Where the company's ultimate parent grants rights over its equity instruments to the company's employees, which are accounted for as equity settled in the consolidated accounts of the ultimate parent, the company accounts for these share based payments as equity settled. The cost of share based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to the equity capital contribution reserve. The share-based payment awards vest when the employee retires. For grants of share-based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire.

Pension costs

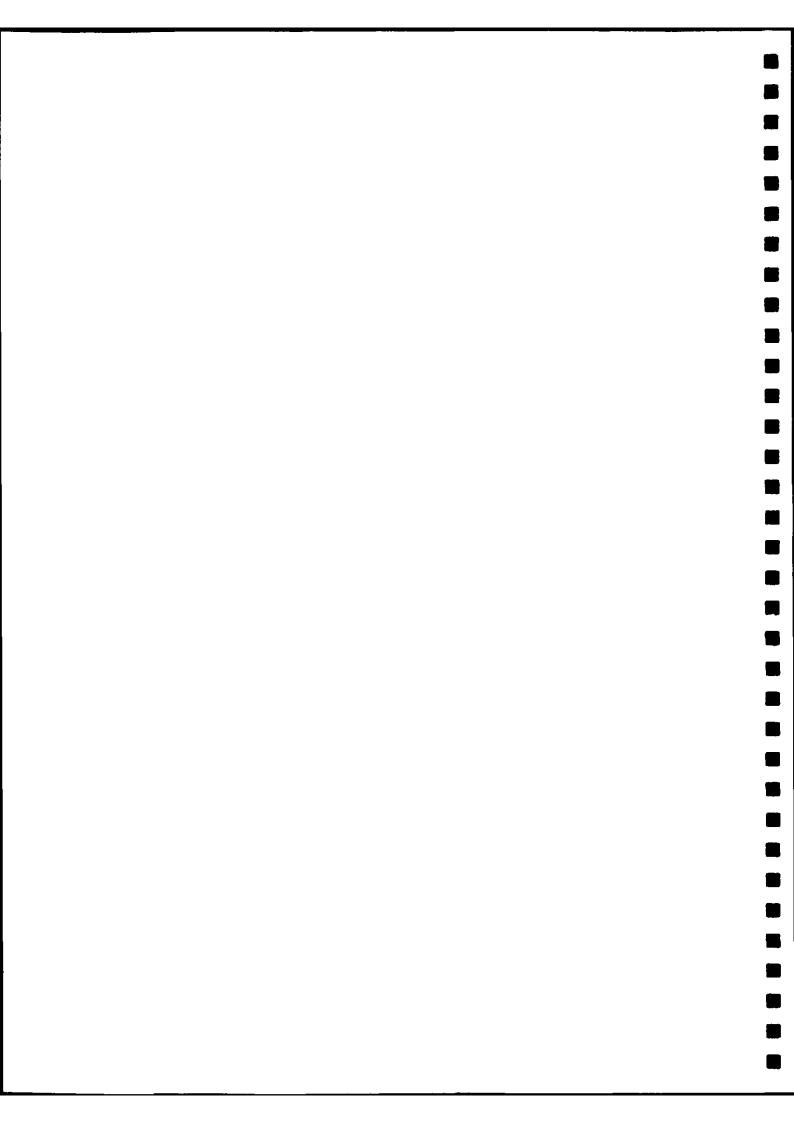
The company contributes to a defined contribution pension scheme. The assets of the company's pension scheme are held separately from those of the company in an independently administered fund. The pension costs charge (see Notes 4 and 5) represents the contribution payable by the company to the fund.

The company had an unfunded retirement benefit agreement in place at 31 December 2012 which provided benefits based on future fee income. The liability in 2012 was measured by independent qualified actuaries using a projected unit discounted cash flow approach with a discount rate based on AA rated UK corporate bonds and was recognised in full. The movement in the liability each year was split between interest and actuarial gains or losses. Interest was charged to the profit and loss account as other finance costs. Actuarial gains or losses were accounted for in the statement of total recognised gains and losses. This agreement was settled in 2013 and therefore the liability has been discharged.

Post retirement benefit

The accounts record a liability in respect of a retirement benefit arrangement of £nil (2012: £31,545,000) and an associated deferred tax asset of £nil (2012: £7,255,350) recognising the present obligation for estimated future payments.

The interest cost and the deferred tax charged to the Profit and Loss account was £nil (2012: £1,374,000) and £3,300,033 (2012: £316,020) respectively. The net actuarial loss charged to the statement of recognised gains and losses for was £nil (2012: £2,603,470).



Notes to the financial statements - continued At 31 December 2013

1. Accounting policies - continued

Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the profit and loss account. 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.

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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase price, together with costs directly associated with their development and implementation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office fixtures and furniture	4-10 years
Internally developed computer software	5 years
Computer hardware	2 -4 years

Dividends

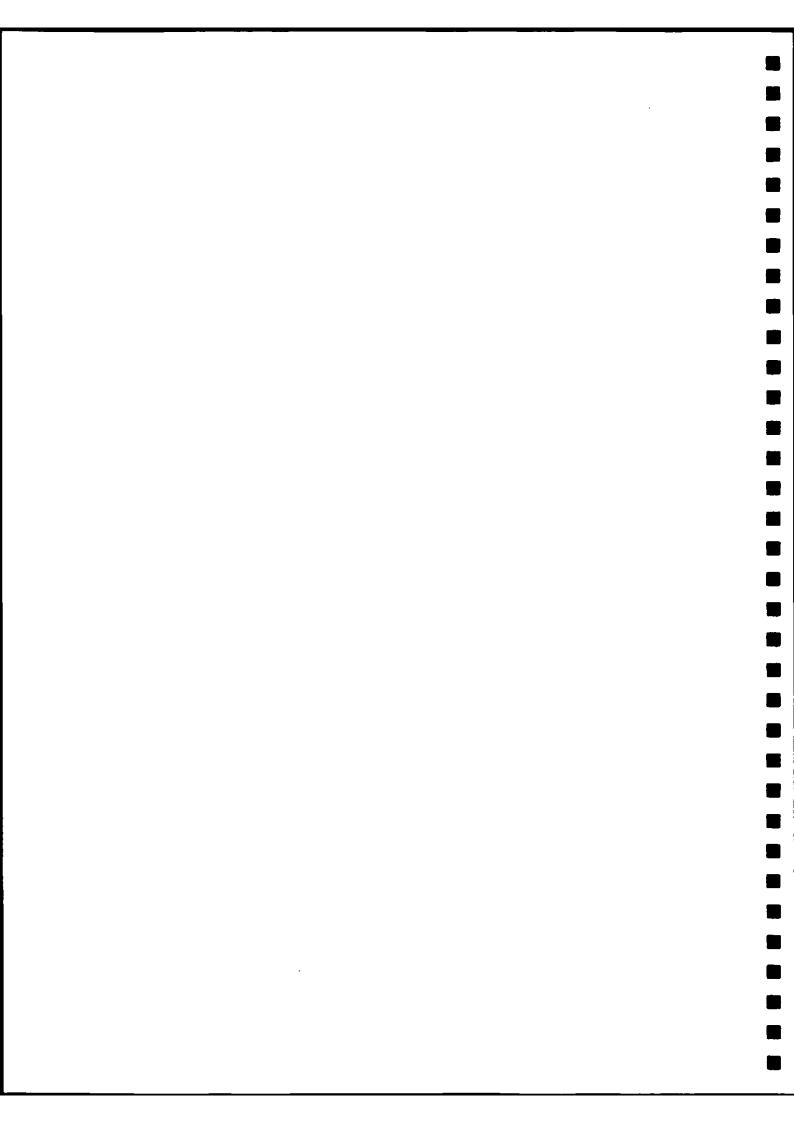
Dividends are recognised at the date that they are declared and approved, to the extent that they are declared prior to the year end.

2. Turnover

The directors have taken advantage of the provisions of Schedule I paragraph 68 (5) of the Companies Act 2006 SI 2008 No.410, as in their opinion it would be seriously prejudicial to the interests of the company to disclose a geographical analysis of turnover.

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging: 2013 2012 £ Depreciation of tangible fixed assets 311,773 250,128 Operating lease rentals: buildings 520,000 470,525 Auditors' remuneration: KPMG Audit of these financial statements pursuant to legislation 18,502 24,046 Audit-related assurance services 5,460 18,200 Other assurance services 191,760 172,086 215,722 214,332 Fees paid to other accountancy firms: PWC Audit of pension scheme financial statements 8,992 7,225 Other services 1,340,654 531,063 1,349,646 538,288



Notes to the financial statements - continued At 31 December 2013

4. Staff costs

	2013 £	2012 £
Salaries and wages Social security costs Share based payments (see note 20) * Pension costs	43,101,747 5,869,124 1,816,715 631,571	36,202,992 4,923,754 2,001,418 609,839
	51,419,157	43,738,003

^{*} includes provision for national insurance payable on share based payments on vesting

The average monthly number of persons employed by the company during the year was 99 (2012: 106), of which 7 were directors (2012: 10).

5. Directors emoluments

	2013 £	2012 £
Directors' emoluments receivable Amounts receivable under long term incentive schemes other than	17,737,826 3,992,812	17,197,299 3,234,875
shares Company contributions to defined contribution pension scheme	117,583	140,250

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £6,456,562 (2012: £4,506,250). They are also entitled to shares. Company pension contributions of £17,000 (2012: £17,000) were made to a defined contribution scheme on their behalf.

	Number of directors	
	2013	2012
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	6	10
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	6	8

Outwith the Money Purchase Scheme there was an agreement in place in respect of one director for payment of post retirement benefit. This was settled in 2013. More detail is provided at note 23.

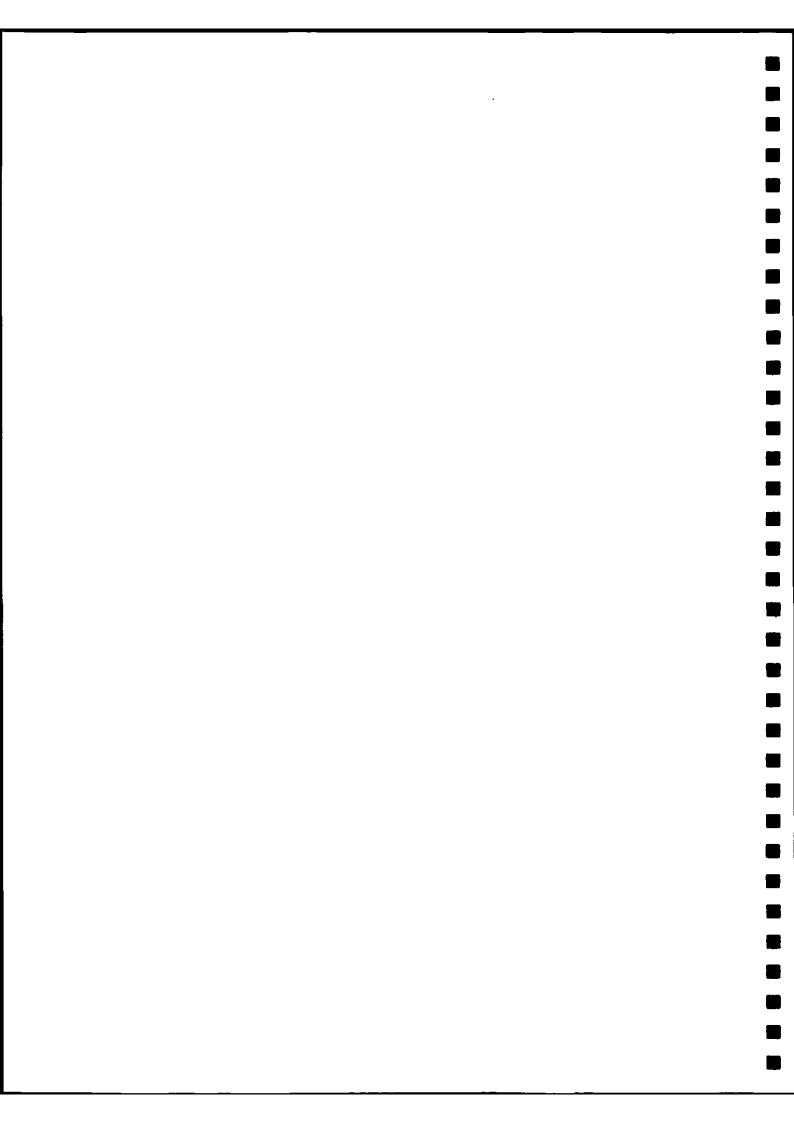
6. Pension costs

The company contributes to a defined contribution scheme in the United Kingdom. The total pension cost for the company in respect of the year to 31 December 2013 was £631,571 (2012: £609,839) (refer to note 4). There was also a post retirement benefit agreement (refer to note 23) at 31 December 2012.

7. Interest receivable and similar income

	2013 £	2012 £
Receivable from short term deposits Investment Income	1,087,458 15,747	949,822 32,01 <u>5</u>
	1,103,205	981,837

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Notes to the financial statements - continued At 31 December 2013

8. Taxation

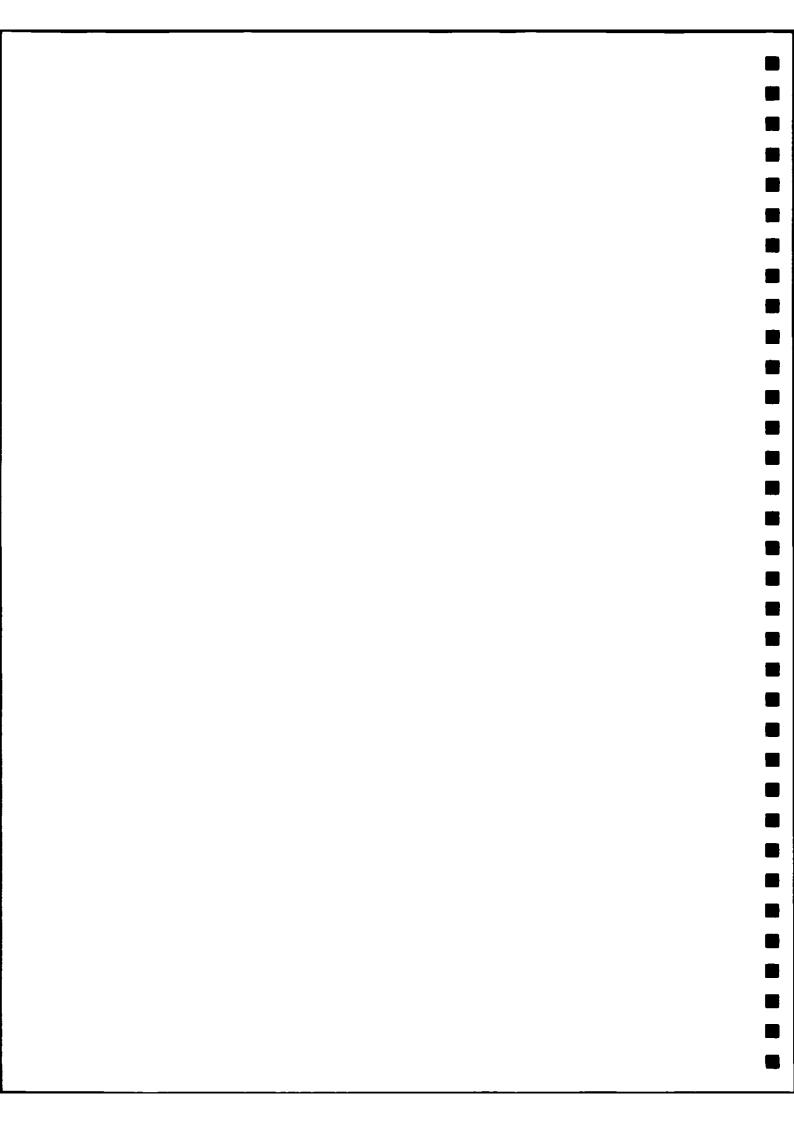
Analysis of charge in period

Taxation is based on profit before tax for the year and comprises: Current corporation tax charge for the year at 23.25% (2012: 24.5%)

Current corporation tax charge for the year at 23.23% (2012, 24.3%)	2013 £	2012 £
UK corporation tax Adjustments in respect of prior periods:	28,445,167 (5,277)	24,545,346 144,945
Total current tax	28,439,890	24,690,291
Deferred tax current year: - Credit - Impact of change in tax rate - Relating to pension obligation (release of previous asset) Current year deferred tax Adjustments in respect of prior periods	(1,959,743) 503,213 7,255,350 5,798,820 1,952	(895,623) 306,266 (589,357) 15,146
Total deferred tax (see notes 12 and 23)	5,800,772	(574,211)
Tax on profit on ordinary activities Factors affecting the tax charge for the current period	34,240,662	24,116,080

The main rate of UK corporation tax was reduced from 24% to 23% effective from 1 April 2013 and results in a weighted average tax rate of 23.25% for 2013 (2012: 24.5%). During 2013, Finance Act 2013 enacted further reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. The 20% rate was substantively enacted as at the balance sheet date, and it is expected that the majority of deferred tax balances shall reverse after 1 April 2015. Therefore the deferred tax balances as at 31 December 2013 have been stated at 20% resulting in a reduction in the net deferred tax asset at year end. For the deferred tax balances that are expected to reverse prior to 1 April 2015, the impact of the rate change is not expected to be material.

	2013 £	2012 £
Profit on ordinary activities before tax	144,025,710	93,087,769
Tax charge on profit on ordinary activities at standard rate of 23.25% (2012: 24.5%)	33,485,978	22,806,503
Factors affecting tax charge: - Expenses not deductible for tax purposes - Settlement in lieu of pension obligation - Adjustments in connection with long term incentive scheme expense - Depreciation in excess of capital allowances - Other short term timing differences - Adjustments in respect of prior periods - Fair value movement in listed investments	26,940 (7,334,213) 1,838,743 13,968 425,491 (5,277) (11,740)	656,091 607,818 9,587 336,630 144,945 128,717
Current corporation tax charge for year	28,439,890	24,690,291



Notes to the financial statements - continued At 31 December 2013

9. Fixed assets

	Office Equipment	Fixtures and Fittings	Total
	£	£	£
Cost:	0.040.400	070 407	0.700.007
At 1 January 2013	2,048,480 389,910	672,427 73,110	2,720,907
Additions Disposals	(108,989)	(6,986)	463,020 (115,975)
At 31 December 2013	2,329,401	738,551	3,067,952
ACOT Decomber 2010	<u> </u>	, , , , , , , , , , , , , , , , , , , ,	0,001,002
Depreciation:			
At 1 January 2013	925,777	614,813	1,540,590
Charge for the year	291,854	19,919	311,773
Disposals	(108,977)	(6,986)	(115,963)
Loss on disposal	(12)		(12)_
At 31 December 2013	1,108,642	627,746	1,736,388
Net book amount:			
At 31 December 2013	1,220,759	110,805	1,331,564
	10 pp. 10		·
At 31 December 2012	1,122,703	57 <u>,614</u>	1,180,317_
10. Fixed asset investments			
		2013	2012
		£	£
Listed investments at cost	_	507,275	507,275

The listed investments are stated at cost. The market value of the listed investments at 31 December 2013 is £1,285,507 (31 December 2012: £1,336,003). The market value is applied for taxation purposes (see note 8).

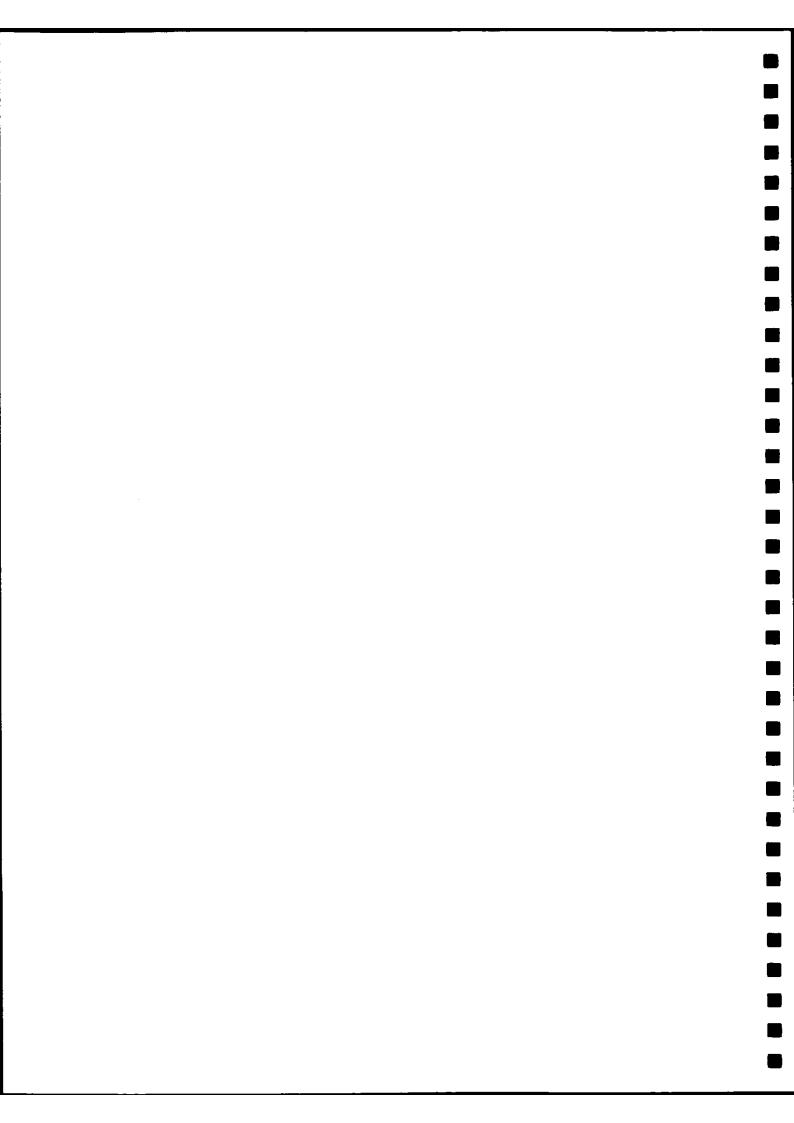
11. Cash at bank and in hand

	2013	2012
	£	£
Cash at bank	273,755,841	167,894,828

12. Debtors

	2013 £	2012 £
Trade debtors	7,061,794	4,596,310
Due from fellow group undertakings	4,678,954	2,110,742
Other debtors	251,521	27,133
Deferred tax asset	5,310,592	3,856,014
Prepayments	384,309	554,982
Accrued income	45,217,863	37,590,100
	62,905,033	48,735,281

Included in prepayments and accrued income is an amount of £nil (2012: £nil) due after more than one year.



Notes to the financial statements - continued At 31 December 2013

Deferred tax is made up of the following:

	2013 £	2012 £
At 1 January	3,856,014	3,576,623
Profit and loss (see note 8)	(5,800,772)	574,211
Transfer to pension liability	7,255,350	(294,820)
At 31 December	5,310,592	3,856,014

Deferred tax has been recognised in full. The major components of deferred tax are as follows:

	2013 £	2012 £
Long-term incentive compensation charged in profit and loss account Excess of depreciation over capital allowances Share based payments	4,923,308 23,941 363.343	3,842,834 13,180
	5,310,592	3,856,014

13. Creditors: amounts falling due within one year

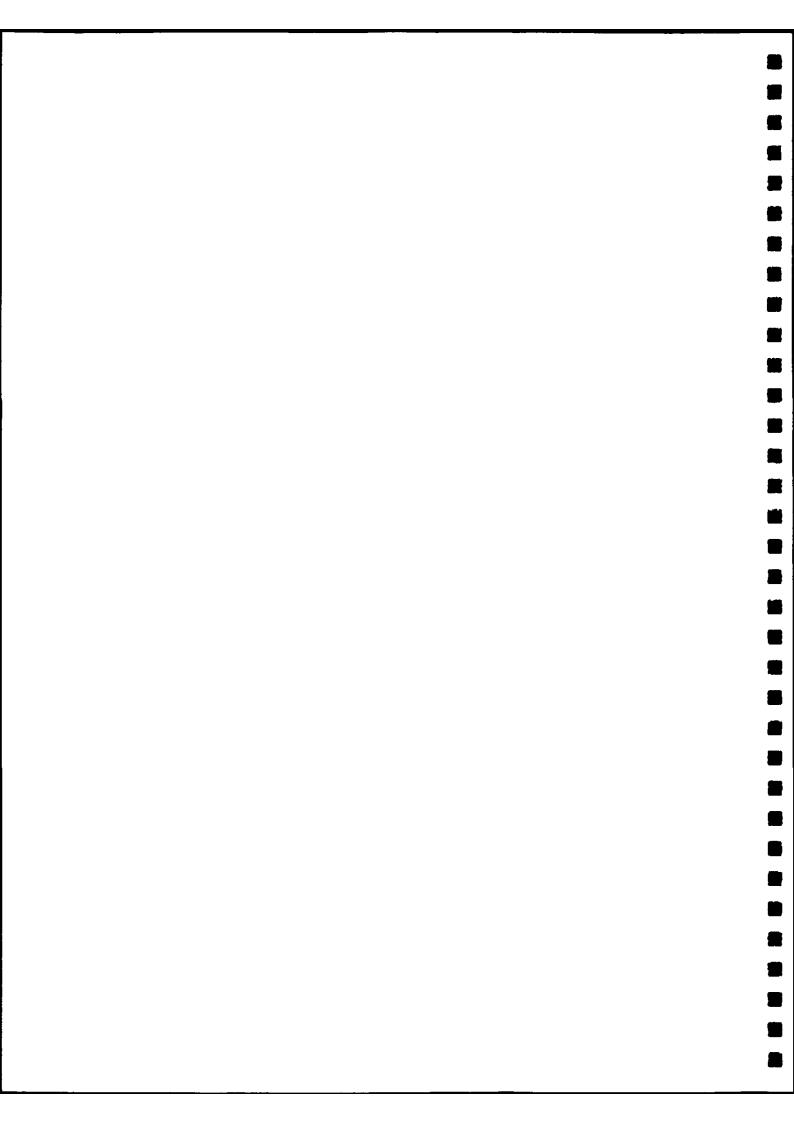
	2013	2012	
	£	£	
Trade creditors Due to fellow group undertakings Taxation and social security Accruals and deferred income	31,558 697,529 25,710,265 46,502,994	30,690 1,824,487 15,451,445 28,308,849	
	72,942,346	45,615,471	

The post retirement liability which existed as at 31 December 2012 has now had a settlement amount agreed, and has been included within the creditors note above.

14. Future financial commitments

At the end of the year the company had the following commitments for the coming year under non-cancellable operating leases.

	2013 £	2012 £
Land and buildings - expiring in more than five years	520,000	470,525



Notes to the financial statements - continued At 31 December 2013

15. Called up share capital

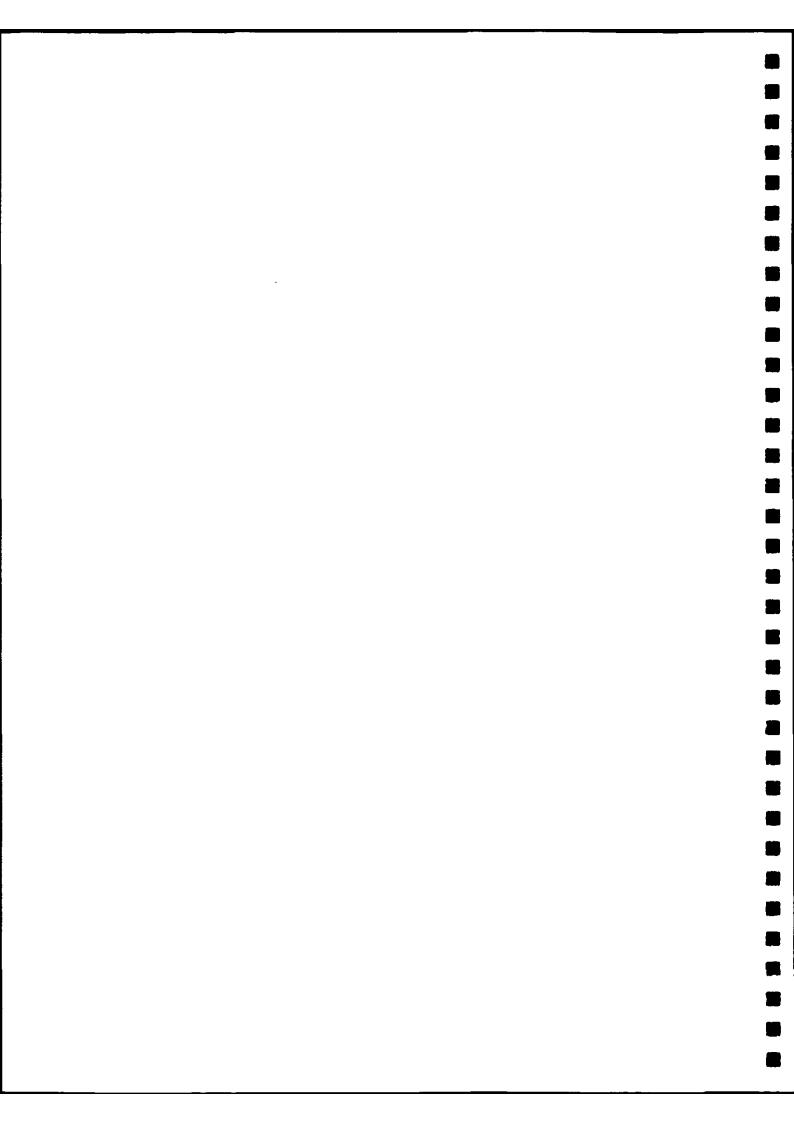
	2013 £	2012 £
Authorised Share Capital 30,101 ordinary shares of £1 each		
Allotted and fully paid ordinary shares of £1 each	25,126	25,126

16. Movement in reserves

	Called up share capital	Profit and loss account	Share Based Payment Reserve	Total
2013	£	£	£	£
At 1 January	25,126	133,295,866	3,114,588	136,435,580
Profit for the year Net movement in share	-	109,785,048	-	109,785,048
based payment reserve Ordinary dividend paid	-	(5,000,000)	1,523,408	1,523,408 (5,000,000)
At 31 December	25,126	238,080,914	4,637,996	242,744,036

17. Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the year Actuarial loss net of tax	109,785,048	68,971,689 (2,603,470)
Net movement in share based payment reserve Ordinary dividend paid	1,523,408 (5,000,000)	1,754,859 (40,000,000)
Net additions to shareholders' funds	106,308,456	28,123,078
Opening shareholders' funds	136,435,580	108,312,502
Closing shareholders' funds	242,744,036	136,435,580



Notes to the financial statements - continued At 31 December 2013

18. Notes to cashflow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities:

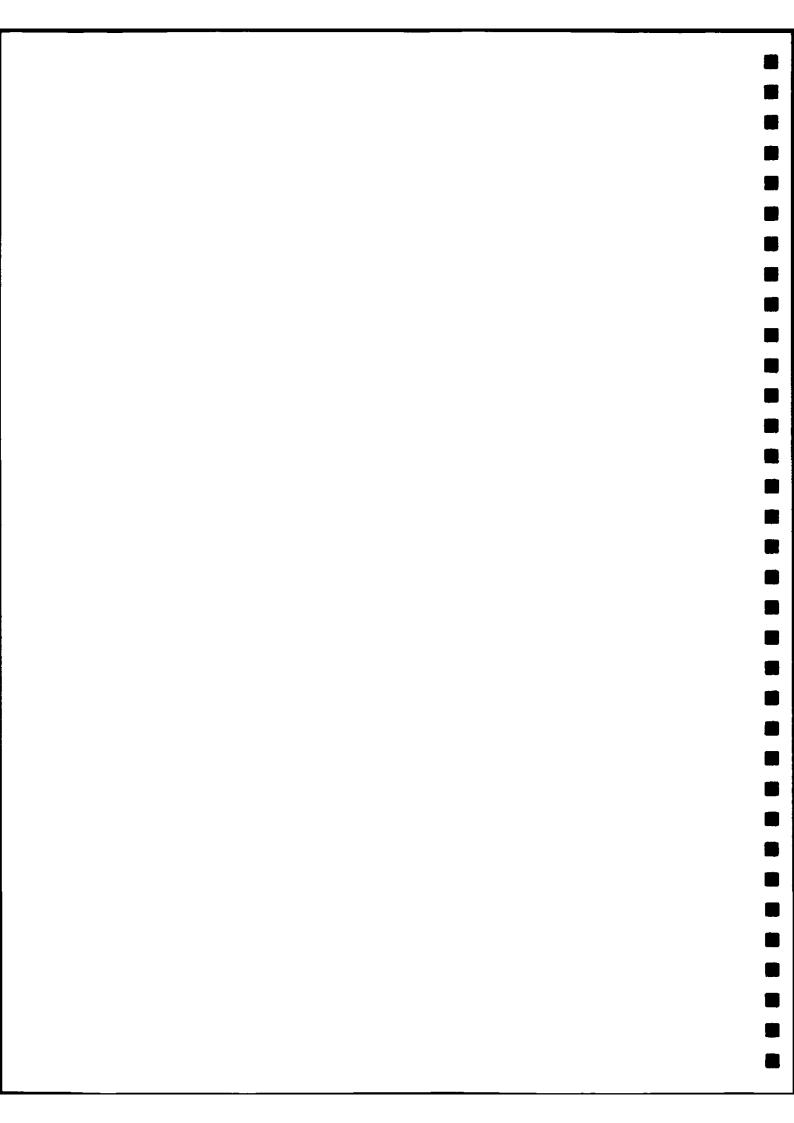
	2013	2012
	£	£
Operating profit	143,504,327	94,810,044
Foreign exchange losses Depreciation Net movement in share based payments reserve account (Increase)/decrease in trade debtors and accrued income Increase in prepayments, amounts due from fellow group undertakings and other debtors	(579,611) 311,772 1,523,408 (10,093,247) (2,399,176)	(1,330,112) 250,128 1,754,859 1,291,649 (295,545)
Increase in trade creditors Increase in accruals for other taxation and social security Decrease in deferred income, amounts due to fellow group undertakings and other accruals	868 8,872,780 3,395,778	2,357 493,138 13,202,161
Net cash inflow from operating activities	144,536,899	110,178,679

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	£	£
Increase in cash and movement in net funds in the period	105,861,013	43,433,387
Opening cash balance	167,894,828	124,461,441
Closing cash balance	273,755,841	167,894,828

19. Long Term Incentive Plan

The company's long term incentive awards are delivered in the form of BNYMellon Corporation Restricted Stock (refer to notes 20 and 21) and Units in a Mellon Long Term Global Equity Fund managed by Walter Scott & Partners Limited. Units in the Global Equity Fund are treated as deferred cash and are accounted for in the year that they are awarded. Units held as at 31 December 2013 amounted to 9,644,695 (2012: 8,092,853) with a value at 31 December 2013 of £17,182,989 (2012: £12,441,952).



Notes to the financial statements - continued At 31 December 2013

20. Share based payments

Restricted share awards

The BNYMellon restricted stock activity for the year was as follows:

	2013		2012	
	Number of Shares	Weighted - average fair value	Number of Shares	Weighted - average fair value
Non-vested restricted stock at start of year	188,454	\$25.70	101,805	\$31.66
Granted	77,703	\$27.32	115,273	\$22.10
Vested	(19,701)	\$28.85	(28,624)	\$18.02
Forfeited	(3,606)	\$30.06	<u>-</u>	
Non-vested restricted stock at end of year	242,850	\$34.94	188,454	\$25.70

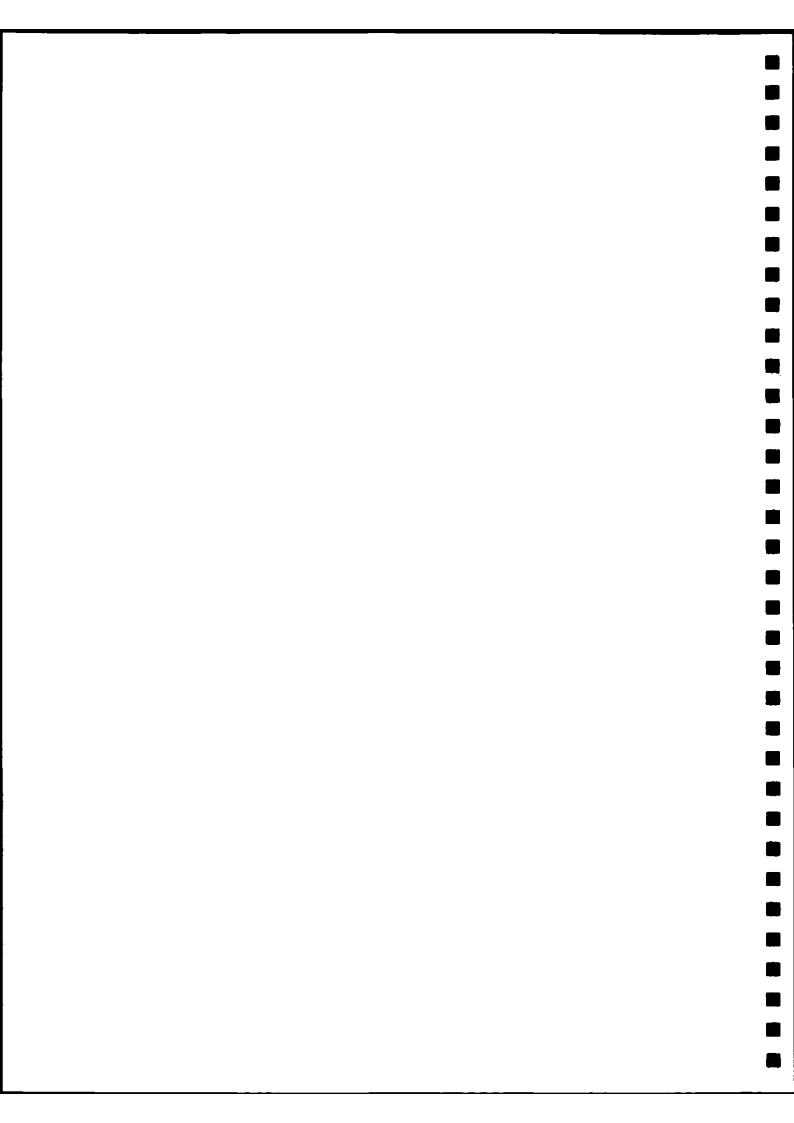
As at 31 December 2013 £424,051 (31 December 2012: £640,347) of total unrecognised compensation costs related to non-vested restricted stock is expected to be recognised over a weighted average period of approximately 17 months. In March 2013 77,703 shares with a combined value of £1,414,288 were awarded in respect of the 2012 incentive plan.

21. Share based payments reserve account

	2013	2012
	Company	Company
	£	£_
Balance at start of year	(3,114,588)	(1,359,729)
Charge for year	(1,523,408)	(1,754,859)
Balance at end of year	(4,637,996)	(3,114,588)

22. Transactions involving Directors, Officers and others

At 31 December 2013 there were no loans and other transactions made to directors and officers of the company (2012: £nil).



Notes to the financial statements - continued At 31 December 2013

23. Post retirement liabilities

The Company had in place an agreement with a Director giving rise to a post retirement benefit at 31 December 2012.

This agreement was unique to the Director receiving the benefit and there are no other agreements in place similar in nature. The arrangement was settled in 2013 and therefore no provision required at 31 December 2013. An analysis of the liability in respect of the agreement is given below. This is an unfunded arrangement and no assets are held. The arrangement is based on future fee income and there is no current service cost.

An actuarial valuation was carried out at 31 December 2012 by a qualified independent actuary. The liability has been measured using a projected unit discounted cash flow approach with a discount rate based on AA rated UK corporate bonds. A discount rate of 4.80% was applied (2011: 5.40%). Life expectancy is assumed to be in line with the standard UK actuarial tables (SAPS series 1) S1PMA_Light for males and S1PFA Light for females, applicable for members of a pension scheme.

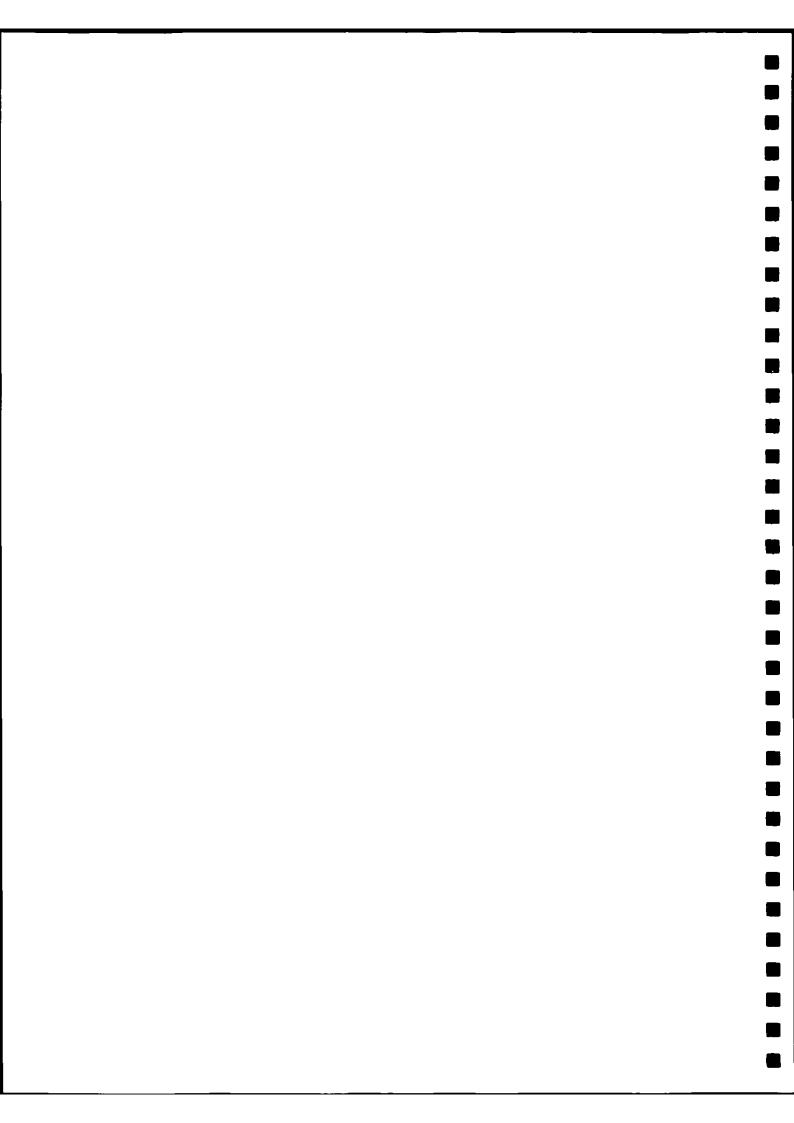
The post retirement liability was settled during the year, and thus the retirement liability as at 31 December 2013 was £nil. However as the settlement had not been paid in full as at the year-end date, an amount of £17,197,027 has been included within creditors, disclosed in note 13 of these financial statements.

Movement in the present value of the post retirement liability

Deferred tax at 31 December

retirement hability		
	2013	2012
	£	£
Estimated liability at 1 January	31,545,000	27,476,000
Interest cost – recognised in finance costs	-	1,374,000
Actuarial loss - recognised in statement of total recognised gains and losses	-	2,695,000
Release of provision	(31,545,000)	-
Balance at 31 December	-	31,545,000
Related deferred tax asset		7,255,350
Net liability	<u> </u>	24,289,650
Deferred tax		
	2013	2012
	£	£
Balance at 1 January	7,255,350	6,869,000
Recognised directly in equity	-	619,850
Release of deferred tax asset	(7,255,350)	316,020
Change in deferred taxation rate		(549,520)

7,255,350



Notes to the financial statements - continued At 31 December 2013

24. Provision

2013 2012 £ £ £ At 1 January 2013 11,977,000 -Operational loss provision created in the year 10,836,321 11,977,000 At 31 December 2013 22,813,321 11,977,000

A provision of £22,813,321 has been recognised in relation to a potential overseas fund tax liability. The Board has considered the likelihood of a material outflow of economic resources and provided for its best estimate of costs. Discussions with the UK tax authority are ongoing and the expected outcome and timing are therefore not known.

The Company is currently discussing tax issues in relation to 6 LLC funds with the UK tax authority. In the event the outcome of those discussions with the UK tax authority result in a liability crystallizing with respect to UK taxes owed by the LLC Funds, the Company's ultimate parent (The Bank of New York Mellon Corporation) commits to indemnify and provide reimbursement to the Company of any such liability up to a restricted aggregated amount.

25. Parent company

As at the 31 December 2013 the immediate parent undertaking of the company is BNY Mellon International Asset Management (Holdings) 1 Ltd.

The ultimate parent company as at 31 December 2013 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

