

REG NO: 1118580

**MELLON GLOBAL INVESTMENTS
LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2002



MELLON GLOBAL INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

By an Elective Resolution dated 21 May 1991, the company dispensed with the laying of report and accounts before the company in general meeting, in accordance with the provisions of section 252 of the Companies Act 1985 (as amended).

Pursuant to Section 253 of that Act, **notice is hereby given** THAT any member or auditor of the company may by notice in writing deposited at the registered office of the company before 31 October 2003 require that a general meeting be held for the purpose of laying the accounts and reports before the company.

PRINCIPAL ACTIVITIES

The principal activity of the company is to market, sell or distribute fellow Mellon Asset Managers' investment products globally (non-United States).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

In 2002 the significant product developments included launching a further 4 sub-funds into the Mellon Global Funds (Dublin) umbrella, 1 sub-fund into the Newton Investment Funds umbrella, and 1 into the Newton Exempt Fund range. Other business developments included opening a representative office in Switzerland and Bahrain. MGI has re-located its Latin American sales presence from Argentina to Chile as a result of the difficult economic situation in Argentina.

In 2003, MGI remains focussed on ensuring operational and cost effectiveness but remains a growth business, committed to exploiting new products and markets organically and will continue to review opportunistic ventures during the year.

EMPLOYEES

The company's practice is to consult and discuss with employees on matters that are likely to affect their interests. Information of general interest to employees is provided through the intranet, newsletters and notices and general dialogue between line managers and employees, all of which seeks to achieve a common awareness of the financial and economic factors which impact on the company's performance.

The company adopts a total rewards management and pay for performance philosophy. Any remuneration elements awarded in respect of bonus and long-term incentives are discretionary based on individual performance, and are determined in the context of the company's operating plans and results. All employees who did not participate in a Mellon Executive Incentive Stock Arrangement were granted options of 150 shares (pro-rata for part time employees) in the ultimate parent company, Mellon Financial Corporation, during the year to continue to encourage closer involvement of employees in the affairs of the company and its financial performance.

The group is committed to providing relevant training and development opportunities, to include achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The company adheres to the principles of Equal Employment Opportunity and is committed to facilitating employment opportunities for people with disabilities.

MELLON GLOBAL INVESTMENTS LIMITED

DIRECTORS' REPORT – continued

RESULTS AND DIVIDENDS

The profit and loss account for the year is set out on page 6.

The loss for the year after taxation was £(4,270,000) (2001: £(3,176,000)). During the year no dividends were paid to the ordinary shareholders (2001: nil).

DIRECTORS AND THEIR INTERESTS

The directors in office during the year and to the date of this report were as follows:

G A Brisk	(Appointed 16/10/02)
J M Little	
A Mearns	(Appointed 11/11/02)
S P Wombwell	
J Groom	(Resigned 04/02/02)
M J Park	(Resigned 10/10/02)

AUDITORS

By an elective resolution dated 21 May 1991, the company dispensed with the obligation to appoint auditors annually in accordance with the provisions of section 386 of the Companies Act 1985 (as amended). Accordingly, KPMG Audit Plc will continue to act as auditors of the company.

By order of the Board


J M Little
Director
25 April 2003

71 Queen Victoria Street
LONDON
EC4V 4DR

MELLON GLOBAL INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a 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.



J M Little
Director

25 April 2003

MELLON GLOBAL INVESTMENTS LIMITED

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF MELLON GLOBAL INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants and Registered Auditor

8 Salisbury Square

LONDON

EC4Y 8BB

29 April 2003

MELLON GLOBAL INVESTMENTS LIMITED

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and comply with applicable Accounting Standards.

The financial statements present information about the undertaking as an individual undertaking and not about its group. The company is exempt from preparing group accounts under section 228 of the Companies Act 1985. The parent undertaking in whose consolidated accounts the company is included is Mellon Europe Limited, a company registered in England and Wales.

REVENUE

Revenue includes fees and commission receivable for selling fellow subsidiary products in continental Europe.

FIXED ASSET INVESTMENTS

Investments in subsidiary undertakings are included in the company's balance sheet at cost.

DEFERRED TAXATION

In the current year, the company implemented Financial Reporting Standard (FRS) 19 'Deferred Tax'. There has been no impact on the taxation charge relating to the current or previous years.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed out by the balance sheet date, except as otherwise required by FRS 19.

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 rate of exchange at the balance sheet date. Gains or losses on translation are included in the profit and loss account.

PENSION CONTRIBUTIONS

Employees of the company are eligible to join a Mellon Pension Scheme. The Group operates several pension schemes. For defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. For final salary (defined benefit) schemes the cost of providing pensions is accounted for over the employees' working lives on a systematic basis as advised by qualified actuaries.

RELATED PARTY DISCLOSURES

The company is exempt from the requirement of FRS8 'Related Party Disclosures' to disclose transactions with entities that are part of the same group because it is a wholly owned subsidiary of the ultimate UK parent company, Mellon Europe Limited, and the consolidated financial statements are publicly available.

MELLON GLOBAL INVESTMENTS LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>Year to</u> <u>31 December</u> <u>2002</u> <u>£'000</u>	<u>Year to</u> <u>31 December</u> <u>2001</u> <u>£'000</u>
Revenue	1	6,384	1,956
Administrative expenses		<u>(11,999)</u>	<u>(5,482)</u>
Operating (loss)	2	(5,615)	(3,526)
Profit on sale of investments	4	-	500
Amounts written off investments		(112)	(323)
Interest payable	5	(43)	(1)
Interest receivable	6	<u>20</u>	<u>23</u>
(Loss) on ordinary activities before taxation		(5,750)	(3,327)
Taxation	7	1,480	151
Retained (deficit) for the year	14	<u>(4,270)</u>	<u>(3,176)</u>
Retained earnings brought forward		<u>8,768</u>	<u>11,944</u>
Retained earnings carried forward		<u>4,498</u>	<u>8,768</u>

Revenue and operating (loss) relates solely to continuing operations. There have been neither operations discontinued nor any additions to operations during the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has not produced a statement of total recognised gains and losses as all gains and losses in the year are reflected in the profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the (loss) on ordinary activities before taxation and the retained (deficit) for the year stated above, and their historical cost equivalents.

MELLON GLOBAL INVESTMENTS LIMITED

BALANCE SHEET
AT 31 DECEMBER 2002

	<u>Notes</u>	<u>31 December</u> <u>2002</u> <u>£'000</u>	<u>31 December</u> <u>2001</u> <u>£'000</u>
FIXED ASSETS			
Investments	8	-	184
		-	184
CURRENT ASSETS			
Debtors	9	32,805	49,297
Cash at bank and in hand		6,813	9,140
		39,618	58,437
CREDITORS: amounts falling due within one year	10	(23,820)	(38,553)
NET CURRENT ASSETS		15,798	19,884
NET ASSETS		15,798	20,068
CAPITAL AND RESERVES			
Called up share capital	13	11,300	11,300
Profit and loss account		4,498	8,768
EQUITY SHAREHOLDERS' FUNDS	14	15,798	20,068

The financial statements on pages 5 to 14 were approved by the board of directors on 25 April 2003 and are signed on its behalf by:



J M Little
Director

MELLON GLOBAL INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2002**1 REVENUE**

	<u>Year to</u> <u>31 December</u> <u>2002</u> £'000	<u>Year to</u> <u>31 December</u> <u>2001</u> £'000
Management fees	6,628	455
Commissions Receivable, Commissions Payable and Other Income	<u>(244)</u>	<u>1,501</u>
Revenue	<u><u>6,384</u></u>	<u><u>1,956</u></u>

2 OPERATING (LOSS)

	<u>Year to</u> <u>31 December</u> <u>2002</u> £'000	<u>Year to</u> <u>31 December</u> <u>2001</u> £'000
Operating (loss) is stated after charging/(crediting):		
Auditors' remuneration - Audit	100	37
- Non-audit services	<u>(37)</u>	<u>23</u>

3 STAFF COSTS

	<u>No:</u>	<u>No:</u>
Average number of employees (including directors) by activity:		
Investment management services	<u>288</u>	<u>403</u>
	<u><u>Year to</u></u> <u>31 December</u> <u>2002</u> £'000	<u><u>Year to</u></u> <u>31 December</u> <u>2001</u> £'000
Wages and salaries	17,476	13,613
Social security costs	1,770	1,331
Pension costs (See note 12)	1,352	925
Other staff costs	921	932
	<u><u>21,519</u></u>	<u><u>16,801</u></u>

MELLON GLOBAL INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2002- continued**3 STAFF COSTS - continued**

<u>Directors:</u>	£'000	£'000
Aggregate emoluments	1,033	916
Company pension contributions to money purchase schemes	<u>90</u>	<u>74</u>

No directors exercised share options in a UK Holding company, Newton Management Limited, during the year (2001: five). No directors exercised share options in the ultimate parent company, Mellon Financial Corporation, during the year (2001: Nil).

Retirement benefits are accruing to some directors under a money purchase pension scheme.

One of the company's directors who served during the year had no emoluments paid or payable in relation to their services as directors of Mellon Global Investments Limited (2001: Four).

<u>Highest paid director:</u>	£'000	£'000
Aggregate emoluments	422	428
Company pension contributions to money purchase scheme	<u>22</u>	<u>17</u>

The highest paid director did not exercise any share options in a UK holding company, Newton Management Limited, or the ultimate parent company Mellon Financial Corporation during the year.

4 PROFIT ON SALE OF INVESTMENTS

On 31 January 2001, the company sold its remaining investment in Royal Bank of Scotland Unit Trust Management Limited and Royal Bank of Scotland Portfolio Manager Limited to Newton Management Limited, a fellow group company for consideration of £5.6m.

5 INTEREST PAYABLE

	<u>Year to</u> <u>31 December</u> <u>2002</u> £'000	<u>Year to</u> <u>31 December</u> <u>2001</u> £'000
Bank interest	32	-
Other	<u>11</u>	<u>1</u>
	<u>43</u>	<u>1</u>

MELLON GLOBAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002- continued

6 INTEREST RECEIVABLE

	<u>Year to</u> <u>31 December</u> <u>2002</u> £'000	<u>Year to</u> <u>31 December</u> <u>2001</u> £'000
Interest on short term deposits	14	2
Interest on repayment of tax	6	2
Other interest	-	19
	<u>20</u>	<u>23</u>

7 TAXATION

	<u>Year to</u> <u>31 December</u> <u>2002</u> £'000	<u>Year to</u> <u>31 December</u> <u>2001</u> £'000
Corporation tax charge at 30% (2001 – 30%)	(1,358)	-
Deferred tax (See note 11)	<u>(122)</u>	<u>(151)</u>
	<u>(1,480)</u>	<u>(151)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

(Loss) on ordinary activities before taxation	<u>(5,750)</u>	<u>(3,327)</u>
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	(1,725)	(998)
Effects of:		
Expenses not deductible for tax purposes	352	77
Capital allowances in excess of depreciation	(9)	(13)
Other timing differences	24	270
Group relief	-	664
Current corporation tax charge for the year	<u>(1,358)</u>	<u>-</u>

MELLON GLOBAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002- continued

8 FIXED ASSET INVESTMENTS

	<u>31 December</u> <u>2002</u> £'000	<u>31 December</u> <u>2001</u> £'000
<u>Subsidiary investments</u>		
<u>Cost</u>		
Balance brought forward	507	4,335
Additions	-	1,314
Disposals	(72)	(5,142)
Balance carried forward	<u>435</u>	<u>507</u>
<u>Provisions</u>		
Balance brought forward	323	-
Provided in the year	112	323
Balance carried forward	<u>435</u>	<u>323</u>
<u>Net Book Value</u>		
At 31 December 2002	<u>-</u>	<u>184</u>
At 31 December 2001	<u>184</u>	<u>4,335</u>

The subsidiary undertakings are:-

<u>Name of Undertaking</u>	<u>Percentage Holding</u>	<u>Country of Incorporation</u>	<u>Class of Share</u>
Mellon Global Investments (Latinamerica) SA	100%	Argentina	Ordinary
MGF (Edinburgh) Nominees Limited	100%	England & Wales	Ordinary

MELLON GLOBAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2002- continued**

8 FIXED ASSET INVESTMENTS - continued

Mellon Global Investments (Latinamerica) SA is registered in Argentina.

The principal activity of Mellon Global Investments (Latinamerica) SA is a representative for a fellow group company's funds in South America.

The total capital and reserves of Mellon Global Investments (Latinamerica) SA at 31 December 2002 was £15,211 (2001: £183,871) and the loss after taxation for the year then ended was £(96,538) (2001: £(60,686)).

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than the amount at which they are included in the balance sheet.

9 DEBTORS

	31 December <u>2002</u> £'000	31 December <u>2001</u> £'000
Trade debtors	3,609	10,194
Prepayments and accrued income	868	1,075
Amounts due from group companies	25,576	37,130
Other debtors	2,752	898
	<hr/>	<hr/>
	<u>32,805</u>	<u>49,297</u>

Included in other debtors is £323,000 (2001 - £201,000) deferred tax recoverable. (See note 11)

10 CREDITORS: amounts falling due within one year

	31 December <u>2002</u> £'000	31 December <u>2001</u> £'000
Trade creditors	4,944	16,393
Accruals	4,621	11,122
Amounts owed to group companies	<hr/> 14,255	<hr/> 11,038
	<u>23,820</u>	<u>38,553</u>

MELLON GLOBAL INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2002- continued**11 DEFERRED TAXATION**

	<u>Amount Provided</u>	
	<u>31 December</u>	<u>31 December</u>
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Tax effect of timing differences:-		
Excess of depreciation over capital allowances	29	38
Other	294	163
	<u>323</u>	<u>201</u>

The movement on the deferred tax is as follows: -

	<u>Year to</u>	<u>Year to</u>
	<u>31 December</u>	<u>31 December</u>
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Asset brought forward	201	50
Transfer to profit and loss account (See note 7)	122	151
	<u>323</u>	<u>201</u>
Liability carried forward		

12 PENSION OBLIGATIONS

The company contributes to a money purchase scheme in the United Kingdom. The total pension cost for the company in respect of the year to 31 December 2002 was £1,351,873 (2001: £924,659) – (See note 3). At the year end, contributions of £92,254 were payable to the fund (2001: £130,644).

13 SHARE CAPITAL

	<u>31 December</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>
	<u>£'000</u>	<u>£'000</u>
<u>Authorised:</u>		
25,000,000 Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
<u>Allotted, called up and fully paid</u>		
11,300,000 Ordinary shares of £1 each	<u>11,300</u>	<u>11,300</u>

MELLON GLOBAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002- continued

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>31 December</u> <u>2002</u> <u>£'000</u>	<u>31 December</u> <u>2001</u> <u>£'000</u>
Shareholders' funds brought forward	20,068	23,244
Retained (deficit) for the year	<u>(4,270)</u>	<u>(3,176)</u>
Shareholders' funds carried forward	<u>15,798</u>	<u>20,068</u>

15 CASH FLOW STATEMENT

The company is exempt from the requirement of FRS1 (Revised) 'Cash Flow Statements' to prepare a cash flow statement because it is a wholly owned subsidiary of a company, which prepares consolidated financial statements, which are publicly available.

16 ULTIMATE CONTROLLING COMPANY

The directors regard Mellon Financial Corporation, a company incorporated and registered in the United States of America, as the ultimate parent company and ultimate controlling party. Copies of the consolidated financial statements of the ultimate parent company can be obtained from:

The Secretary
Mellon Financial Corporation
One Mellon Center, Room 4826
Pittsburgh
PA 15258-0001
USA

The directors regard Mellon Europe Limited, a company incorporated in Great Britain and registered in England and Wales, as the ultimate UK parent company. Copies of the consolidated financial statements of the ultimate UK parent company can be obtained from:

The Secretary
Mellon Europe Limited
Princess House
1 Suffolk Lane
London
EC4V 0AN