
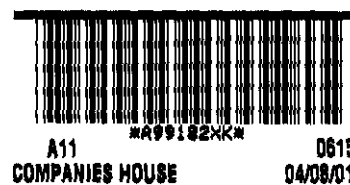


BNY MARKETS LIMITED

Report and Financial Statements

31 December 2000

 ERNST & YOUNG



BNY Markets Limited

Registered No. 3162893

DIRECTORS

T Berntsen
R T Cullen
G L Hassell
B G Rogan
J Tessler

SECRETARY

BNY Secretaries (UK) Limited

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

REGISTERED OFFICE

One Canada Square
London
E14 5AL

BNY Markets Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is a wholly-owned subsidiary of BNY Capital Markets Holdings, Inc. which itself is a wholly-owned subsidiary of The Bank of New York Company, Inc.

During the year the company was engaged in the provision of loan syndication services to The Bank of New York.

RESULTS AND DIVIDENDS

The results of the company were as follows:

	2000	1999
	\$	\$
Profit on ordinary activities before taxation	5,332,023	4,901,318
Taxation	(1,559,516)	(1,446,402)
Profit on ordinary activities after taxation	<u>3,772,507</u>	<u>3,454,916</u>

The directors do not recommend the payment of a dividend. The profit after tax has been transferred to reserves.

FUTURE DEVELOPMENTS

The directors continue to review the market with a view to taking advantage of opportunities that may arise.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

T Berntsen
R T Cullen
G L Hassell
P D Rivers (resigned 13 May 2000)
B G Rogan
J Tessler

The directors had no disclosable interests in the company during the year.

COMPANY SECRETARY

On 30 November 2000, BNY Secretaries (UK) Limited was appointed as company secretary in place of Mr A P Wane who resigned as secretary on the same date.

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 12 July 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

PMcGowen

For and on behalf of BNY Secretaries (UK) Limited

Secretary

London

12 July 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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 of the company for that period. In preparing those 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; 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of BNY Markets Limited

We have audited the financial statements on pages 6 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

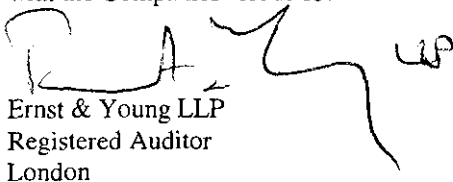
Basis of opinion

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 affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

12 July 2001

BNY Markets Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Notes	2000 \$	1999 \$
GROSS PROFIT	2	5,848,954	5,759,948
Administrative expenses		(516,931)	(858,630)
OPERATING PROFIT ON ORDINARY ACTIVITIES		5,332,023	4,901,318
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	5,332,023	4,901,318
Tax on profit on ordinary activities	5	(1,559,516)	(1,446,402)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,772,507	3,454,916
Profit and loss account brought forward		7,337,429	3,882,513
Profit and loss account carried forward		11,109,936	7,337,429

There are no recognised gains or losses for the current financial year other than those disclosed in the profit and loss account.

BNY Markets Limited

BALANCE SHEET

as at 31 December 2000

	Notes	2000 \$	1999 \$
CURRENT ASSETS			
Debtors	6	84,773	14,043
Cash at bank and in hand	10	12,008,209	8,342,798
		<u>12,092,982</u>	<u>8,356,841</u>
CREDITORS: amounts falling due within one year	7	(949,076)	(985,442)
NET CURRENT ASSETS		<u>11,143,906</u>	<u>7,371,399</u>
CAPITAL AND RESERVES			
Called up share capital	8	33,970	33,970
Profit and loss account		11,109,936	7,337,429
SHAREHOLDERS' FUNDS		<u>11,143,906</u>	<u>7,371,399</u>

These financial statements were approved by the Board of Directors on 12 July 2001

Signed on behalf of the Board of Directors

Director 

Director 

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention, and with the exception of notes 3 and 8, are presented in US dollars, being the dominant currency in which the company operates.

Foreign exchange

Transactions denominated in currencies other than US dollars are translated into US dollars and recorded at the average rate of exchange ruling for the month in which the transaction occurred. Monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the exchange rates ruling on the balance sheet date. Differences arising from exchange rate movements are recognised in the profit and loss account.

Interest and commission

Interest and commission, both income and expense, are treated on an accruals basis.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for financial statements and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is estimated that tax will arise.

Turnover

Turnover and cost of sales, as prescribed in the Companies Act 1985, do not have meaningful equivalents for the business of the company and are not defined in these financial statements.

Pension costs

Pension costs are charged to the profit and loss account in the year incurred by the company.

2. GROSS PROFIT

Gross profit is arrived at as follows:

	2000	1999
	\$	\$
Interest receivable and similar income	691,788	375,807
Fees earned and translation losses	5,157,166	5,384,141
	<u>5,848,954</u>	<u>5,759,948</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average number of persons employed by the company during the year was 3 (1999 - 5).

The aggregate payroll costs of these persons were as follows:

	2000	1999
	\$	\$
Wages and salaries	354,038	571,266
Social security costs	32,842	68,292
Other pension costs	17,013	29,470
	<u>403,893</u>	<u>669,028</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Emoluments of the only director, including benefits in kind, amounted to £187,769 (1999 - £276,384). The aggregate value of company contributions to the defined contribution pension scheme in respect of his qualifying services was £2,363 (1999 - £7,188). The amounts were paid in sterling and have not been restated to US dollars. The company does not have a chairman.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2000	1999
	\$	\$
Auditors' remuneration and expenses	9,960	9,000

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	\$	\$
Based on the profit for the year:		
UK corporation tax	1,599,835	1,478,800
1999 adjustment	(40,319)	(32,398)
	1,559,516	1,446,402

6. DEBTORS

	2000	1999
	\$	\$
Prepayments and accrued income	12,606	2,914
Accounts receivable	72,167	11,129
	84,773	14,043

7. CREDITORS: amounts falling due within one year

	2000	1999
	\$	\$
Accruals and deferred income	19,875	45,232
Taxation payable	929,201	940,210
	949,076	985,442

8. CALLED UP SHARE CAPITAL

	2000	1999
Authorised		
50,000 shares of £1 each	£50,000	£50,000
Called up, allotted and fully paid		
20,000 at £1 each at par translated at £1 = US\$1.6985	\$33,970	\$33,970

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Profit and loss account</i>	<i>Share capital</i>	<i>Shareholders' funds</i>
	\$	\$	\$
Balance at December 1999	7,337,429	33,970	7,371,399
Profit retained for the year	3,772,507	-	3,772,507
Balance at December 2000	<u>11,109,936</u>	<u>33,970</u>	<u>11,143,906</u>

10. BALANCES WITH GROUP COMPANIES

The profit on ordinary activities before taxation is stated after crediting/(charging) the following:

	<i>2000</i>	<i>1999</i>
	\$	\$
Interest receivable from group companies	691,788	375,807

Amounts owed to and by fellow subsidiary undertakings are included in the balance sheet as follows:

	<i>2000</i>	<i>1999</i>
	\$	\$
Cash at bank and in hand	12,008,209	8,342,798
Prepayments and accrued income	8,589	11,129

The company has taken advantage of the exemption in FRS8 from disclosing further details of transactions with fellow subsidiary undertakings.

11. PENSION SCHEME

All the employees belonged to either The Bank of New York London Office Pension Plan or The Bank of New York Pension Plan, both of which were defined contribution schemes. The schemes' assets are held independently from those of the company under separately administered trusts. The pension cost charge represents contributions payable by the company to the funds on behalf of the three employees and amounted to \$17,013 (1999 - \$29,470). No contributions were payable to the funds at the period end.

12. STATEMENT OF CASH FLOWS

The company has adopted FRS1 (revised) and taken advantage of the exemption, as a wholly owned subsidiary of The Bank of New York Company, Inc., not to present a statement of cash flows.

13. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is BNY Capital Markets Holdings, Inc. The ultimate parent company is The Bank of New York Company, Inc., incorporated in the United States of America, which is also the parent undertaking of the largest group for which group financial statements are prepared. Copies of the group financial statements of The Bank of New York Company, Inc. are available from The Bank of New York, One Canada Square, London E14 5AL.