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BNY HOLDINGS (UK) LIMITED
(FORMERLY RBSTB (HOLDINGS) LIMITED)

Report and Financial Statements

31 December 2000

 ERNST & YOUNG



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BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

Registered No. 3236179

DIRECTORS

A R Griffith
T J Perna
S J Richardson
J Tessler

SECRETARY

BNY Secretaries (UK) Limited

AUDITORS

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

PRINCIPAL OFFICE

One Canada Square
London E14 5AL

REGISTERED OFFICE

One Canada Square
London E14 5AL

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

DIRECTORS' REPORT

The directors present their report, together with the audited consolidated financial statements of BNY Holdings (UK) Limited Group for the period ended 31 December 2000 ("the period").

RESULTS AND DIVIDENDS

The results for the period are set out on page 7. The directors have recommended that a final ordinary dividend of £238,000 be paid for the period ended 31 December 2000.

ACTIVITIES AND BUSINESS REVIEW

On 31 October 1999, The Royal Bank of Scotland plc sold its entire shareholding in the company to The Bank of New York. The company's ultimate parent company is now The Bank of New York Company, Inc. The company is now a wholly owned subsidiary of BNY International Financing Corporation. The company's name changed from RBSTB (Holdings) Limited to BNY Holdings (UK) Limited and the company's registered office changed to One Canada Square, London E14 5AL.

The principal activity of the company is that of a holding company owning the entire issued ordinary share capital of The Bank of New York Europe Limited (the "Bank").

The principal activities of the Bank are the provision of custody and investment administration services and treasury dealing. A subsidiary of that company, BNY Trust Company Limited (formerly RBSTB Trust Co. Limited), provides trustee services to unauthorised unit trusts. On 1 October 2000, BNY Trust Company Limited acquired the entire issued share capital of The Bank of New York Trust and Depositary Company Limited from BNY International Financing Corporation. The Bank of New York Trust and Depositary Company Limited provides trustee services to authorised unit trusts. The activities of the two other operating subsidiaries of the Bank are respectively the provision of administration services and the provision of trustee and custody services to third parties.

CORPORATE STRUCTURE

The Bank has a branch operation in Luxembourg, providing custody, banking and fund administration services to unitised funds registered in Luxembourg.

The Bank also has a wholly owned subsidiary incorporated in Ireland, BNY Trust (Ireland) Limited (formerly RBS Trust (Ireland) Limited), which is the holding company of two operating subsidiaries BNY Administration Services Limited (formerly RBS Administration Services Limited) and BNY Securities Services (Ireland) Limited (formerly RBS Securities Services (Ireland) Limited).

POST BALANCE SHEET EVENTS

Since the period end the Company has contracted to enter into a joint venture with Allied Irish Banks p.l.c. pursuant to a Joint Venture Agreement dated 11 September 2001, as amended, (the 'Agreement') for the purposes of providing, inter alia, Custody and Trustee Services in the Republic of Ireland. A corporate re-organisation is contemplated in the Agreement pursuant to which the Bank has transferred its interest in BNY Trust (Ireland) Limited to the Company. Additionally the Company's immediate parent BNY International Financing Corporation will contribute further assets to the Company as part of the aforesaid corporate re-organisation.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

A R Griffith (appointed 31 October 1999)
T J Perna (appointed 31 October 1999)
P R Allen (resigned 31 October 1999)
J A N Cameron (resigned 31 October 1999)
D J Causer (resigned 31 October 1999)
M R McLean (resigned 31 October 1999)
I S Robertson (resigned 31 October 1999)
J F Trueman (resigned 29 October 1999)
S A Zimmerman (resigned 31 October 1999)

Since the period, S J Richardson and J Tessler have each been appointed as additional directors of the company.

No Director had any interest in the ordinary shares of the company during the period under review.

COMPANY SECRETARY

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

EQUAL OPPORTUNITIES

The company and its subsidiaries (the "group") are committed to equality of opportunity. The group's employment practices follow the best practice of each country in which they operate. In the recruitment of staff and their subsequent career development, individuals are considered solely on the basis of their aptitude and ability, irrespective of sex, marital status, race, age, sexual orientation, religion or disability.

STAFF INVOLVEMENT

The group encourage staff involvement by a process of communication and consultation. This takes the form of the provision of information through normal management channels, internal publications and video communication.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

During the period ended 31 December 2000, the group adhered to the following payment policy in respect of all suppliers, and will continue to do so in the forthcoming year. The group wishes to maintain a sound commercial relationship with its suppliers. Consequently, it is the group's policy to negotiate and agree terms and conditions with its suppliers, either directly or through its operating subsidiaries, which include an undertaking to pay suppliers within the agreed payment periods.

The proportion which the amount owed to trade creditors at 31 December 2000 bears to the amounts invoiced by suppliers during the period equated to a 30 days (1999: 25 days) proportion of 457 days (1999 - 365 days).

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

DIRECTORS' REPORT

AUDITORS

PricewaterhouseCoopers resigned as auditors of the company with effect from 21 June 2000 and Ernst & Young were appointed to fill the casual vacancy thus arising.

On 28 June 2001, Ernst & Young transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. By resolution of the Company dated 25 October 2001, the Company consented to treat the appointment of Ernst & Young as auditors as extending to Ernst & Young LLP with effect from 28 June 2001.

For and on behalf of BNY Secretaries (UK) Limited

Clifford Mannis.

Secretary

London

31 January 2002.

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 group and of the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these financial statements comply with the aforementioned requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNY HOLDINGS (UK) LIMITED (FORMERLY RBSTB (HOLDINGS) LIMITED)

We have audited the group's financial statements for the year ended 31 December 2000 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 31. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group'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 and of the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

31 January 2002

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

GROUP PROFIT AND LOSS ACCOUNT
for the 15 month period ended 31 December 2000

		<i>Period to 31 December 2000 £000</i>	<i>Year to 30 September 1999 £000</i>
	<i>Notes</i>		
Interest receivable		78,943	99,210
Interest payable		(61,078)	(92,259)
NET INTEREST INCOME		17,865	6,951
Fees and commissions receivable		168,664	135,928
Fees and commissions payable		(2,893)	(24,150)
Dealing profits	3	54,432	38,701
Non-interest income		220,203	150,479
TOTAL INCOME		238,068	157,430
Administrative expenses	2	192,564	126,564
Depreciation	13	6,174	4,186
Operating expenses		198,738	130,750
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	39,330	26,680
Tax on ordinary activities	6	11,474	7,366
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		27,856	19,314
Dividend	7	20,988	6,000
RETAINED PROFIT FOR THE FINANCIAL PERIOD	20	6,868	13,314

There were no recognised gains or losses other than the profit on ordinary activities after tax and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before tax and the retained profit for the period stated above and their historical cost equivalents.


All material items dealt with in arriving at the group's result for the financial period relate to continuing operations.

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

GROUP BALANCE SHEET
at 31 December 2000

		31 December 2000	30 September 1999
	Notes	£000	£000
ASSETS			
Loans and advances to banks	8	1,065,661	1,777,030
Loans and advances to customers	9	202,913	384,653
Securities settlement amounts receivable		34,418	119,154
Debt securities	10	5,157,050	4,211,084
Equity shares	11	426	42
Tangible fixed assets	13	23,131	18,542
Other assets	14	185,907	150,204
Prepayments and accrued income		39,563	37,479
TOTAL ASSETS		6,709,069	6,698,188
LIABILITIES			
Deposits by banks	15	726,259	542,760
Customer accounts	16	5,446,304	5,598,602
Securities settlement amounts payable		141,357	297,115
Other liabilities	17	216,723	152,708
Accruals and deferred income	17	43,156	38,281
Provisions for liabilities and charges	18	315	635
TOTAL LIABILITIES		6,574,114	6,630,101
CAPITAL AND RESERVES			
Called up share capital	19	100,000	40,000
Profit and loss account	20	34,955	28,087
SHAREHOLDERS' FUNDS - EQUITY	21	134,955	68,087
TOTAL LIABILITIES AND SHARE CAPITAL AND RESERVES		6,709,069	6,698,188
MEMORANDUM ITEMS			
Contingent liabilities			
- guarantees	22	7,405	15,921
Commitments	22	43,771	24,014

The financial statements on pages 8 to 30 were approved by the board of directors on 31 January 2002 and were signed on its behalf by:


J Tessler
Director


31 JAN 2002

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

BALANCE SHEET
at 31 December 2000

		<i>31 December</i>	<i>30 September</i>
		<i>2000</i>	<i>1999</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
FIXED ASSETS			
Investment in subsidiary undertakings	12	200,000	200,000
CURRENT ASSETS			
Debtors		7,789	6,452
CREDITORS: amounts falling due within one year			
Amounts owed to group undertakings		109,101	106,374
Dated loan capital – subordinated		–	60,000
Other creditors		1	5
		109,102	166,379
NET CURRENT LIABILITIES		(101,313)	(159,927)
NET ASSETS		98,687	40,073
SHARE CAPITAL AND RESERVES			
Called up share capital	19	100,000	40,000
Profit and loss account	20	(1,313)	73
EQUITY SHAREHOLDERS' FUNDS		98,687	40,073

The financial statements on pages 8 to 30 were approved by the board of directors on 31 January 2002 and were signed on its behalf by:


J Tessler
Director

31 JAN 2002

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the UK and the Statements of Recommended Accounting Practice issued jointly by the British Bankers' Association and the Irish Bankers' Federation. A summary of the more important accounting policies is set out below.

The consolidated financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups. The financial statements of the company are prepared in accordance with section 226 of, and Schedule 4 to, the Companies Act 1985. As provided by section 230 (3), no profit and loss account is presented for the company.

Basis of consolidation

The financial statements are prepared under the historical cost convention. The consolidated financial statements deal with the financial statements of the group made up to 31 December. In accounting for its subsidiaries, the group consolidates fully the assets, liabilities and results for the period. All inter-company balances and transactions are eliminated from the consolidated statements.

Foreign exchange

The balance sheet of the overseas branch and the overseas subsidiaries are translated into sterling at the rate of exchange ruling at 31 December and its profit and loss account is translated at the average rate of exchange for the 15 month operating period to 31 December. Assets and liabilities in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

Derivative contracts

Foreign exchange contracts and interest rate contracts are valued at fair values and the resultant profits and losses are included in income.

Taxation

Provision is made for taxation at current rates on the taxable profits and relief for overseas taxation is taken where appropriate. Certain items of income and expenditure are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is provided on the liability method in respect of timing differences to the extent that they are likely to crystallise in the foreseeable future.

Provisions for bad and doubtful debts

Specific provisions are made against loans and advances when, in the opinion of the directors, recovery in full is doubtful.

Debt securities

Securities transactions are recorded on trade date and are included at fair value. Interest arising on dealing positions in securities forms an integral part of dealing profit and is not separately identified.

Equity shares

Equity shares are intended for use on a continuing basis in the group's activities are classified as investment securities and are stated at cost less provision for any permanent diminution in value.

Fees receivable

Fees receivable which represent a return for services provided are credited to income when the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

1. ACCOUNTING POLICIES (continued)

Depreciation

Tangible fixed assets are depreciated on a straight line basis over their expected useful economic lives as follows:

Leasehold property and improvements	-	Over the period of the lease
Office fixtures and furniture	-	5 years
Computer hardware and software	-	4 years
Motor vehicles	-	4 years

Shares in subsidiary undertakings

The company's shares in its subsidiary undertakings are stated at cost in the balance sheet of the company.

Dealing profits

These include all profits and losses relating to dealing activities, including interest arising from long and short positions and funding costs.

Cash flow statement

The company was a wholly owned subsidiary of The Royal Bank of Scotland Group plc for the period from 1 October 1999 to 31 October 1999 and a wholly owned subsidiary of The Bank of New York Company, Inc. for the period from 1 November 1999 to 31 December 2000, and is included in the consolidated financial statements of these companies, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of the Financial Reporting Standard 1 (revised 1996).

Pension costs

The cost of the group's defined benefit pension arrangements is calculated by qualified actuaries and charged against profits on a systematic basis spread over the remaining service lives of the scheme members. The cost of the group's defined contribution pension arrangements is charged against profits on the basis of the contributions paid by the group.

2. ADMINISTRATIVE EXPENSES

	<i>Period ended 31 December 2000 £000</i>	<i>Year ended 30 September 1999 £000</i>
Staff costs		
Salaries and wages	53,920	71,904
Social security costs	6,081	4,265
Other pension costs	5,457	4,779
Other staff costs	20,173	13,621
Other administrative expenses	106,933	31,995
	<u>192,564</u>	<u>126,564</u>

The average monthly number of persons employed by the company and its subsidiary undertakings during the period was 1,281 of which 369 were officer grades.

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is determined after taking account of the following:

	<i>Period ended 31 December 2000 £000</i>	<i>Year ended 30 September 1999 £000</i>
Securities dealing	27,829	22,034
Other dealing profits	26,603	16,667
Bad debt expense	4,895	765

The auditors' remuneration for statutory audit work was £198,575 (1999 - £188,000) of which £8,000 (1999 - £5,000) related to the company and was borne by another group company in the current year. Remuneration paid to the current auditors of the company for non-audit work in the 15 months ended 31 December 2000 was £318,202 for the group.

Remuneration paid to the former auditors of the company up to the date of their resignation, for non-audit work was £498,654.

Of the profit on ordinary activities before tax attributable to the group £(9.2) million (1999 - £2.1 million) has been dealt with in the financial statements of the company. £(6.1) million (1999 - £6.1 million) of profit on ordinary activities after tax attributable to The Bank of New York Europe Limited has been dealt with in the financial statements of the company.

4. DIRECTORS' EMOLUMENTS

During the period, the company had no employees. No emoluments were paid or are payable to directors or third parties in respect of qualifying services performed for the company.

5. PENSION COSTS

The group operates a defined benefit pension scheme, the RBS Trust Bank Defined Benefit Scheme, and a defined contribution pension scheme which was the RBS Trust Bank Defined Contribution Scheme up until 30 April 2000, that was replaced by The Bank of New York Pension Plan with effect from 1 May 2000. The schemes' assets are held independently from those of the group under separately administered trusts. In addition, some employees are members of The Royal Bank of Scotland Staff Pension Scheme 1985 up until 30 April 2000, when they then joined The Bank of New York Pension Plan.

From 1 May 2000 new employees have only been eligible to join the new plan. The process of transferring members' prior scheme pension entitlements to the new Plan is being completed in stages.

Contributions to the RBS Trust Bank Defined Benefit Scheme are assessed in accordance with the advice of an independent qualified actuary using the attained age method of valuation. An initial actuarial valuation of the scheme was carried out as at 1 November 1997 and the latest actuarial valuation was carried out as at 31 October 1998. The principal actuarial assumptions adopted in the valuation were that, over the long term, the investment rate of return would be 9% per annum, the rate of salary increases would be 7% per annum and the rate of increase applied to pensions in payment would be 5% per annum.

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

5. PENSION COSTS (continued)

Contributions to The Bank of New York Pension Plan ("the Plan") in respect of former members of The Royal Bank of Scotland Staff Pension Scheme 1985 who were aged 40 or over on 1 May 2000 are assessed in accordance with the advice of the Scheme Actuary to the Plan using the attained age method of valuation. An initial actuarial assessment of the final salary benefits under the Plan was carried out as at 1 May 2000. The principal actuarial assumptions adopted in the assessment were that, over the long term, the investment rate of return would be 6.0% per annum, and the rate of salary increase would be 4.25% per annum and the rate of increase applied to pensions in payment would be 2.75% per annum.

During the period 1 October 1999 to 31 December 2000 the group contributions were:

- £1,875,350 to The Bank of New York Pension Plan during the period 1 May 2000 to 31 December 2000 (of which £377,759 was in respect of the ex-RBS Staff over age 40 DB members and the remaining £1,497,591 was in respect of group contributions for the BNYE DC members of the Plan).
- £1,992,248 to the RBS Trust Bank Defined Benefit Scheme during the period from 1 October 1999 to 30 April 2000.
- £639,522 to the RBS Trust Bank Defined Contribution Scheme during the period from 1 October 1999 to 30 April 2000.
- £772,594 to The Royal Bank of Scotland Staff Pension Scheme 1985 during the period from 1 October 1999 to 30 April 2000.

The total pension charge for the period 1 October 1999 to 31 December 2000 was £5,453,000 (1999 - £4,779,000) resulting in a period end accrual of £173,000 (1999 - £260,000).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	<i>Period ended 31 December 2000 £000</i>	<i>Year ended 30 September 1999 £000</i>
Corporation tax	11,794	7,565
Prior year adjustment	-	(990)
Overseas taxation	-	222
Deferred taxation	(320)	569
	<u>11,474</u>	<u>7,366</u>

7. DIVIDENDS

	<i>Period ended 31 December 2000</i>		<i>Year ended 30 September 1999</i>	
	<i>Pence per share</i>	<i>£000</i>	<i>Pence per share</i>	<i>£000</i>
Dividends paid and proposed	20.99	20,988	15.00	6,000

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

8. LOANS AND ADVANCES TO BANKS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Repayable:				
- on demand	451,815	-	295,913	-
- three months or less	613,846	-	1,271,117	-
- one year or less but over three months	-	-	210,000	-
	<u>1,065,661</u>	<u>-</u>	<u>1,777,030</u>	<u>-</u>
Amounts include:				
Due from parent company				
- unsubordinated	-	-	55,000	-
	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>
Due from fellow subsidiary undertakings				
- unsubordinated	401,446	-	18,274	-
	<u>401,446</u>	<u>-</u>	<u>18,274</u>	<u>-</u>

9. LOANS AND ADVANCES TO CUSTOMERS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Repayable:				
- on demand	200,574	-	359,952	-
- three months or less	2,339	-	18,971	-
- one year or less but over three months	-	-	5,730	-
	<u>202,913</u>	<u>-</u>	<u>384,653</u>	<u>-</u>
Amounts include:				
Due from subsidiary undertakings	6,669	-	-	-
	<u>6,669</u>	<u>-</u>	<u>-</u>	<u>-</u>

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

10. DEBT SECURITIES

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank and building society certificates of deposit	4,819,122	—	3,890,798	—
Other debt securities	337,928	—	320,286	—
	<u>5,157,050</u>	<u>—</u>	<u>4,211,084</u>	<u>—</u>
Analysed by maturity:				
- due within one year	4,834,108	—	3,890,798	—
- due after one year	322,942	—	320,286	—
	<u>5,157,050</u>	<u>—</u>	<u>4,211,084</u>	<u>—</u>
Analysed by listing status:				
- listed on the London Stock Exchange	337,928	—	320,286	—
- unlisted	4,819,122	—	3,890,798	—
	<u>5,157,050</u>	<u>—</u>	<u>4,211,084</u>	<u>—</u>

All certificates of deposit are held for trading purposes, other debt securities are held for non-trading purposes. Information on the original cost of debt securities is not readily available and is of no continuing relevance to the business.

The movement on debt securities held for non-trading purposes was as follows:

<i>Group</i>	<i>Net book value</i>
	<i>£000</i>
At 1 October 1999	320,286
Exchange and value adjustments	831
Additions	151,999
Disposals	(10,000)
Redemptions and maturities	(125,188)
	<u>337,928</u>
At 31 December 2000	

11. EQUITY SHARES

All equity shares are unlisted and are held as investment securities. The directors consider that the market value of the investment securities is in excess of the carrying amount.

BNY Holdings (UK) Limited
(formerly RBSTB (Holdings) Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

12. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The only subsidiary of BNY Holdings (UK) Limited at 31 December 2000 is The Bank of New York Europe Limited.

The following companies were wholly-owned and unlisted subsidiaries of The Bank of New York Europe Limited at 31 December 2000. BNY Trust (Ireland) Limited (formerly RBS Trust (Ireland) Limited) is held directly and is the holding company of two operating subsidiaries. BNY Administration Services Limited (formerly RBS Administration Services Limited) and BNY Securities Services (Ireland) Limited (formerly RBS Securities Services (Ireland) Limited), all incorporated in the Republic of Ireland. The principal activities are respectively the provision of administration services and the provision of trustee and custody services to third parties.

BNY Trust Company Limited (formerly RBSTB Trust Co. Ltd) is incorporated in the United Kingdom and held directly, and provides trustee services to unauthorised unit trusts. The Bank of New York Trust and Depositary Company Limited is incorporated in England, held directly by BNY Trust Company Limited and provides trustee services to authorised unit trusts.

13. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Short-term leasehold property and improvements £000</i>	<i>Office fixtures and furniture £000</i>	<i>Computer hardware and software £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost:					
At 1 October 1999	1,451	3,013	18,919	2,889	26,272
Additions	354	109	14,225	516	15,204
Disposals	-	-	(8,117)	(383)	(8,500)
At 31 December 2000	1,805	3,122	25,027	3,022	32,976
Depreciation:					
At 1 October 1999	330	369	6,984	47	7,730
Charge for the period	355	765	4,353	701	6,174
Disposals and write offs	-	-	(4,047)	(12)	(4,059)
At 31 December 2000	685	1,134	7,290	736	9,845
Net book amount:					
At 31 December 2000	1,120	1,988	17,737	2,286	23,131
At 30 September 1999	1,121	2,644	11,935	2,842	18,542

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14. OTHER ASSETS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net replacement cost of forward foreign exchange contracts	69,780	–	49,141	–
Net replacement cost of interest rate contracts	42,943	–	29,193	–
Other assets	73,184	7,789	71,870	6,452
	<u>185,907</u>	<u>7,789</u>	<u>150,204</u>	<u>6,452</u>

Other assets comprise suspense and clearing balances arising principally in the custody business.

15. DEPOSITS BY BANKS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Repayable:				
- on demand	213,595	109,101	182,294	6,374
- three months or less	512,664	–	129,266	–
- one year or less but over three months	–	–	231,200	130,000
	<u>726,259</u>	<u>109,101</u>	<u>542,760</u>	<u>136,374</u>
Amounts include:				
Due to fellow subsidiary undertakings	635,947	109,101	193,518	136,374

16. CUSTOMER ACCOUNTS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Repayable:				
- on demand	5,373,059	–	5,336,150	–
- three months or less	73,245	–	137,793	–
- one year or less but over three months	–	–	124,659	–
	<u>5,446,304</u>	<u>–</u>	<u>5,598,602</u>	<u>–</u>
Amounts include:				
Due to subsidiary undertakings		–		–

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17. OTHER LIABILITIES AND ACCRUALS AND DEFERRED INCOME

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>
	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net replacement cost of forward foreign exchange contracts	72,502	–	52,919	–
Net replacement cost of interest rate contracts	29,732	–	25,154	–
Current corporation tax	12,493	–	9,158	–
Proposed final dividend	238	–	–	–
Other liabilities	101,758	1	65,477	5
	<u>216,723</u>	<u>1</u>	<u>152,708</u>	<u>5</u>

Other liabilities comprise suspense and clearing balances arising principally in the custody business.

Accruals and deferred income include amounts due to an intermediate parent undertaking of £nil (1999 - £3.4 million) for the group and £nil (1999 - £3.3 million) for the company.

18. PROVISION FOR LIABILITIES AND CHARGES

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
<i>Deferred tax – fixed asset timing differences:</i>		
At 1 October 1999	635	–
Deferred tax arising during the period	(320)	–
At 31 December 2000	<u>315</u>	<u>–</u>

The full potential liability for deferred taxation at 31 December 2000 is £315,000 for the group and £nil for the company.

19. CALLED-UP EQUITY SHARE CAPITAL

	<i>31 December</i>	<i>30 September</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Authorised, allotted and fully paid ordinary shares of £1 each	<u>100,000</u>	<u>40,000</u>

20. RESERVES – PROFIT AND LOSS ACCOUNT

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
At 1 October 1999	28,087	73
Retained profit for the period	6,868	(1,386)
At 31 December 2000	<u>34,955</u>	<u>(1,313)</u>

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21. MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>Group</i> <i>£000</i>
At 1 October 1999	68,087
Profit on ordinary activities after taxation	27,856
Dividend on ordinary shares	(20,988)
Authorised, allotted and fully paid ordinary shares	60,000
At 31 December 2000	<u>134,955</u>

22. MEMORANDUM ITEMS – CONTINGENT LIABILITIES AND COMMITMENTS

	<i>Group and Company 31 December 2000</i>			<i>Group and Company 30 September 1999</i>		
	<i>Contract</i>	<i>Credit</i>	<i>Risk</i>	<i>Contract</i>	<i>Credit</i>	<i>Risk</i>
	<i>amount</i>	<i>equivalent</i>	<i>weighted</i>	<i>amount</i>	<i>equivalent</i>	<i>weighted</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Contingent liabilities:						
- guarantees	7,405	7,405	7,014	15,921	15,921	13,031
Commitments:						
Undrawn committed standby facilities, credit lines and other commitments to lend						
- within one year	43,771	-	-	24,014	-	-
- after one year	-	-	-	-	-	-
	<u>43,771</u>	<u>-</u>	<u>-</u>	<u>24,014</u>	<u>-</u>	<u>-</u>

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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Short term debtors and creditors have been included in all of the following disclosures, where applicable.

Derivative transactions are entered into for both trading and hedging purposes. However, as at 31 December 2000 there are no significant derivatives held for non-trading activities.

Financial Instruments

The group's activities include customer loans and deposits and money market loans and deposits which are regarded as non-trading activities. Trading activities include both customer oriented business and positions which are taken on the group's own account. Financial instruments are fundamental to the group's business and can create, modify or reduce the liquidity, credit and market risks of the group's balance sheet. The group's policies and objectives for managing such risks are discussed in the following Risk Management section. The group holds financial instruments for a variety of purposes detailed below:

- Customer loans and deposits resulting principally from custody operations;
- Money market loans and deposits are used in the management of the balance sheet and the resultant interest rate risks;
- Debt securities (Certificates of Deposit and Floating Rate Notes) are held for use on an on-going basis in the management of the balance sheet and interest rate risk;
- Foreign exchange (spot and forward) are used for customer facilitation and for the management of foreign exchange risk;
- Derivatives (hedging) used for hedging purposes are classified as hedges to the extent that they form part of the group's risk management strategy. Derivatives are valued on the same basis as the underlying item being hedged. No significant derivative transactions were entered into for hedging purposes during the year and there were no open hedge derivative transactions at either the current or the preceding year end.
- Derivatives (trading) - in the normal course of business, the group enters into a limited range of vanilla derivative transactions in the foreign exchange (spot and forward) and interest rate (forward rate agreements and swaps) markets. These products are used to take positions as part of trading activities.

The group does not write or sell interest rate derivatives products to customers. Other than foreign exchange (spot and forward) the group does not write or sell foreign exchange derivative contracts.

The group had no exposure to equity derivatives during the year.

Risk Management

The group's objectives in respect of risk management are to ensure that, at all times, the group satisfies the requirement of maintaining a balance sheet demonstrating the characteristics of high liquidity and high credit quality assets. The Boards of Directors ensure adherence with all internally set risk limits and compliance with all regulatory ratios.

Through its normal operations, the group is exposed to a number of risks, the most significant of which are operational, liquidity, credit and market. Management of these risks is central to our activities and we have independent risk management functions having responsibility for the management of all forms of risk including, through separate units both compliance and legal risks. In addition, the control infrastructure is enhanced by Internal Control units within each of the businesses. The result is a fully integrated risk management function covering all risk aspects of the group's activities.

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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Oversight of all risk limits is undertaken by a risk management committee, which is authorised by The Bank of New York Europe Limited's Board of Directors. Its membership includes representatives from all of the principal business divisions and other senior executives and it meets fortnightly or as required. Regular reports relating to the condition of the Bank, including all prudential ratios are also received and are discussed as are any matters of a risk policy nature. Reports on compliance issues are also a feature. Where appropriate, risk limits are also subject to approval by the parent company.

Credit Risk

The group's exposure to credit risk comprises facilities made available to individuals and institutions with whom the Bank has a securities servicing relationship, most credit accommodation to non-bank counterparties is in the form of uncommitted standby lines.

All counterparties with whom the group deals are subject to detailed credit analysis and all exposure is based on credit quality derived from an objective credit risk rating system. In addition to counterparty limits, individual country limits for the group have been approved by The Bank of New York.

All credit exposures are subjected to independent analysis by an independent credit department and approval is at the discretion of a London based Credit Committee which meets weekly, the membership of which is a cross section of relationship and risk personnel based in London and New York. All excesses to established limits are monitored closely for relevant approvals and reported to Credit Committees in London and New York.

Market Risk

Market risk is made up of interest rate and foreign exchange risk. Market risk is managed within risk limits approved by The Bank of New York. Exposure is monitored daily using a Value-at-Risk ('VaR') methodology as the primary mechanism for controlling market risk. This technique is more fully described in this note.

Liquidity Risk

Liquidity risk is governed by a Liquidity policy approved by the Bank's Board of Directors. The principal objective of the policy is to ensure that at all times there are sufficient liquid assets to satisfy the company's payment obligations to the depositors, together with other business liabilities, as they fall due without incurring unacceptable losses. This objective is achieved by careful and effective management of the balance sheet within agreed limits as laid down by the Board of Directors.

Operational Risk

Operational risk is the risk that an error or oversight gives rise to a financial loss or accounting misstatement. Operational risk is inherent within the operation of any business and can only be reduced by following control procedures established to minimise such risks. Operational risk increases where high volume or complex business is undertaken.

The policy of the group is to ensure that at all times adequate and effective internal controls systems are in place to monitor and manage operational risk. This is achieved by a strong control infrastructure as described above and with full and effective reporting via independently sourced management information.

The group's risk management objectives, policies and strategies have been observed throughout the period.

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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity gap analysis

Part of the group's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the group's non-trading book at 31 December 2000 and 30 September 1999. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

	Within 3 months	After 3 months but within 6 months	After 6 months but within 1 year	After 1 year but within 5 years	After 5 years	Non-interest bearing funds	Total
At 31 December 2000	£000	£000	£000	£000	£000	£000	£000
ASSETS							
Loans and advances to banks	1,015,661	-	50,000	-	-	-	1,065,661
Loans and advances to customers	202,913	-	-	-	-	-	202,913
Debt securities	337,928	-	-	-	-	-	337,928
Non-interest earning assets	-	-	-	-	-	131,159	131,159
Total assets	1,556,502	-	50,000	-	-	131,159	1,737,661
LIABILITIES							
Deposits of banks	726,259	-	-	-	-	-	726,259
Customer accounts	5,446,304	-	-	-	-	-	5,446,304
Interest free liabilities	-	-	-	-	-	299,399	299,399
Shareholders' equity	-	-	-	-	-	-	-
Total liabilities	6,172,563	-	-	-	-	299,399	6,471,962
Off balance sheet items affecting interest rate sensitivity	-	-	-	-	-	-	-
Total liabilities	6,172,563	-	-	-	-	299,399	6,471,962
Interest rate sensitivity gap	(4,616,061)	-	50,000	-	-	(168,240)	(4,734,301)
Cumulative interest rate sensitivity gap	(4,616,061)	(4,616,061)	(4,566,061)	(4,566,061)	(4,566,061)	(4,734,301)	(4,734,301)

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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

	Within 3 months	After 3 months but within 6 months	After 6 months but within 1 year	After 1 year but within 5 years	After 5 years	Non-interest bearing funds	Total
At 30 September 1999	£000	£000	£000	£000	£000	£000	£000
ASSETS							
Loans and advances to banks	1,263,953	17,000	123,000	115,000	-	258,077	1,777,030
Loans and advances to customers	368,728	-	5,730	-	-	10,195	384,653
Debt securities	320,286	-	-	-	-	-	320,286
Non-interest earning assets	-	-	-	-	-	246,882	246,882
Total assets	1,952,967	17,000	128,730	115,000	-	515,154	2,728,851
LIABILITIES							
Deposits of banks	173,624	91,695	132,047	-	30,000	115,394	542,760
Customer accounts	5,476,557	250	80,051	5,000	30,000	6,744	5,598,602
Interest free liabilities	-	-	-	-	-	410,666	410,666
Total liabilities	5,650,181	91,945	212,098	5,000	60,000	532,804	6,552,028
Off balance sheet items affecting interest rate sensitivity	-	-	-	-	-	-	-
Total liabilities	5,650,181	91,945	212,098	5,000	60,000	532,804	6,552,028
Interest rate sensitivity gap	(3,697,214)	(74,945)	(83,368)	110,000	(60,000)	(17,650)	(3,823,177)
Cumulative interest rate sensitivity gap	(3,697,214)	(3,772,159)	(3,855,527)	(3,745,527)	(3,805,527)	(3,823,177)	(3,823,177)

Currency risk

The functional currency for the group is the pound sterling. The majority of assets are denominated in pound sterling. The currency risk is monitored and managed as described in this note (pages 21 to 30). The Bank has subsidiary operations in England, Ireland and a branch in Luxembourg which represent less than 2% of the group balance sheet at 31 December 2000 (less than 2% at 30 September 1999). Therefore, the group's structural currency exposures are not material and no further disclosure has been presented.

Transactional currency exposures

The group does not maintain material non-trading open currency positions.

Trading Book

The trading activities of the group are outlined in this note on page 21 under the heading of 'Financial Instruments'.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2000

23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Gains and losses

The following table shows for each type of instrument in the trading derivatives and debt securities portfolio the net trading gains/(losses):

	15 month period ended 31 December 2000 £000	Year ended 30 September 1999 £000
Exchange rate contracts:		
Forward foreign exchange	(2,722)	(3,778)
Interest rate contracts:		
Forward rate agreements	—	1,488
Interest rate swaps	13,211	2,550
Debt securities	1,834	(1,117)
	<u>15,045</u>	<u>2,921</u>

Market risk

As set out on page 22 under the heading of 'Market Risk', the group uses a value-at risk ('VaR') methodology to monitor market risk. VaR is defined as the potential loss in value of the group's trading positions which might arise due to adverse movements in markets over a defined time horizon with a specified confidence level.

The group's VaR, calculated daily on a variance/covariance basis, uses a one-day time horizon and a 97.5% confidence level for the period 1 October 1999 to 31 October 1999. A one day time horizon and a 99% confidence interval were used for the period from 1 November 1999 to 31 December 2000, reflecting the assumptions used in The Bank of New York Company, Inc's. VaR calculations. No material difference is deemed to have arisen as a result of the change in assumptions. The VaR for the group as at 31 December 2000 was £589,000 (1999 - £560,000) and the average, highest and lowest VaRs during the 15 month period to 31 December 2000 were £792,000 (1999 - £445,000), £1,489,000 (1999 - £742,000) and £345,000 (1999 - £139,000) respectively.

The modelling of the risk characteristics of the group's trading positions involves a number of assumptions and approximations. While management believe that these assumptions and approximations are reasonable, there is no uniform industry methodology for estimating VaR, and different assumptions/approximations could produce materially different VaR estimates. The VaR figures disclosed above, for example, have the following main limitations:

- The group uses historic data to estimate its VaR and, given this reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in the market conditions. An inherent limitation of VaR is that past changes in market risk factors may not produce accurate predictions of future market risk.
- Using a one day time horizon does not fully capture the market risk of positions that cannot be liquidated within one day.

NOTES TO THE FINANCIAL STATEMENTS
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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

- Focusing on the maximum loss that is expected to be incurred 99% of the time says little about the, admittedly smaller, losses that are expected to be incurred more frequently or the size of the losses in excess of the VaR that are expected to be incurred 1% of the time.
- The assumption of independence of the risk types may be incorrect and therefore result in VaR not fully capturing market risk where correlation between variable is exhibited.
- VaR is calculated at the close of business day with intra-day exposures not being subject to intra-day VaR calculations.

Hedging

As disclosed in this note on page 21 under the heading of 'Financial Instruments', the group did not enter into any significant hedging derivative transaction during the period and did not have any open transactions of this type at period end. Therefore no unrecognised or deferred gains or losses in relation to hedge derivatives exist at 31 December 2000.

Fair values of financial assets and liabilities

The fair value of a financial instrument on the trading book is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are used where applicable.

The carrying amount and the fair value of all the non-trading financial assets and financial liabilities is £337,928 and £nil respectively (1999 - £320,286 and £nil respectively).

NOTES TO THE FINANCIAL STATEMENTS
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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Trading book

The group's use of financial instruments is described on page 21 under the heading of 'Financial Instruments'. The following table analyses the net replacement cost, by maturity, of all the group's Financial Assets and Liabilities in the trading book, including derivatives, for which there is a liquid and active market.

	31 December 2000				30 September 1999			
	Within one year	One to five years	Over five years	Total	Within one year	One to five years	Over five years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS								
Debt securities	4,819,608	—	—	4,819,608	3,890,798	—	—	3,890,798
DERIVATIVES								
Exchange rate contracts:								
- Forward foreign exchange	69,780	—	—	69,780	49,137	4	—	49,141
Interest rate contracts:								
- Forward rate agreements	—	—	—	—	3,842	—	—	3,842
- Interest rate swaps	36,552	6,391	—	42,943	23,892	1,460	—	25,352
	106,332	6,391	—	112,723	76,871	1,464	—	78,335
FINANCIAL LIABILITIES								
Derivatives								
Exchange rate contracts:								
- Forward foreign exchange	72,502	—	—	72,502	52,919	—	—	52,919
Interest rate contracts:								
- Forward rate agreements	—	—	—	—	2,353	—	—	2,353
- Interest rate swaps	22,797	6,935	—	29,732	19,831	2,970	—	22,801
	95,299	6,935	—	102,234	75,103	2,970	—	78,073

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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The notional principal amounts and fair values (which, after netting, are the book values) of trading instruments entered into with third parties were as follows:

	31 December 2000			30 September 1999		
	<i>Notional principal amount £000</i>	<i>Year-end positive fair value £000</i>	<i>Year-end negative fair value £000</i>	<i>Notional principal amount £000</i>	<i>Year-end positive fair value £000</i>	<i>Year-end negative fair value £000</i>
Foreign exchange derivatives:						
Forward foreign exchange	3,203,199	69,780	72,502	4,697,069	49,141	52,919
Interest rate derivatives:						
Swaps	3,550,000	42,943	29,732	5,000,000	25,352	22,801
Forward rate agreements	—	—	—	2,950,000	3,841	2,353
Total interest rate derivatives	3,550,000	42,943	29,732	7,950,000	29,193	25,154
Total trading derivatives (see Other assets/Other liabilities, notes 14 and 17)		112,723	102,234		78,334	78,073

The following table analyses by outstanding maturity and contract type, the notional principal amount of the group's trading derivatives:

	31 December 2000				30 September 1999			
	<i>Within one year £000</i>	<i>One to five years £000</i>	<i>Over five years £000</i>	<i>Total £000</i>	<i>Within one year £000</i>	<i>One to five years £000</i>	<i>Over five years £000</i>	<i>Total £000</i>
Exchange rate contracts:								
Forward foreign exchange	3,203,199	—	—	3,203,199	4,687,069	10,000	—	4,697,069
Interest rate contracts:								
Forward rate agreements	—	—	—	—	2,950,000	—	—	2,950,000
Interest rate swaps	1,650,000	1,900,000	—	3,550,000	4,200,000	800,000	—	5,000,000
	1,650,000	1,900,000	—	3,550,000	7,150,000	800,000	—	7,950,000

Net replacement cost is used to indicate the group's credit exposure. The figures in the above, and the following table represent the gross positive fair values, without giving effect to offsetting positions with the same counterparty.

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23. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The following table analyses the net replacement cost of the group's derivatives into financial and non-financial counterparty and also into OECD and non-OECD counterparty:

	31 December 2000				30 September 1999			
	Financial	Non-financial	OECD	Non-OECD	Financial	Non-financial	OECD	Non-OECD
	£000	£000	£000	£000	£000	£000	£000	£000
Exchange rate contracts:								
Forward foreign exchange	69,302	478	69,684	96	47,464	1,677	45,843	3,298
	69,302	478	69,684	96	47,464	1,677	45,843	3,298
Interest rate contracts:								
Forward rate agreements	—	—	—	—	3,841	—	3,841	—
Interest rate swaps	42,943	—	49,943	—	25,352	—	25,352	—
	42,943	—	49,943	—	29,193	—	29,193	—

24. SEGMENTAL INFORMATION

The directors consider the profit on ordinary activities arises principally from the provision of custody and investment administration services and integral treasury dealing which are conducted by the company and its subsidiaries which are located mainly in the UK. The directors consider that no segmental information is required.

25. TRANSACTIONS INVOLVING DIRECTORS, OFFICERS AND OTHERS

At 31 December 2000 there were no loans and other transactions referred to in Part IV, of Schedule 9 of the Companies Act 1985 made to directors and officers of the company.

26. RELATED PARTY TRANSACTIONS

The company was a wholly-owned subsidiary of The Royal Bank of Scotland Group plc for the period 1 October 1999 to 31 October 1999 and a wholly-owned subsidiary The Bank of New York, Company Inc. for the period 1 November 1999 to 31 December 2000. Accordingly, the company has applied the exemption in paragraph 3 (c) of the Financial Reporting Standard 8 ('FRS 8'). This exemption permits the non-disclosure of transactions and balances with related parties that are included in the consolidated financial statements of The Royal Bank of Scotland Group plc and the consolidated financial statements of The Bank of New York, Company Inc.

The company is exempt under the terms of paragraph 16 of FRS 8 from disclosing details of those transactions falling within the definition of 'banking transactions'.

27. FINANCIAL COMMITMENTS

	Group 31 December 2000 £000	Group 30 September 1999 £000
Contracted but not provided for	—	970

These commitments primarily relate to capital expenditure for the refurbishment of premises and the provision of computer equipment.

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28. ANALYSIS OF TOTAL ASSETS AND LIABILITIES

	<i>Group</i> <i>31 December</i> <i>2000</i> <i>£000</i>	<i>Group</i> <i>30 September</i> <i>1999</i> <i>£000</i>
Assets:		
Denominated in sterling	5,223,287	5,025,512
Denominated in currencies other than sterling	1,481,781	1,666,020
Total assets	6,705,068	6,691,532
Liabilities:		
Denominated in sterling	5,247,825	4,977,736
Denominated in currencies other than sterling	1,457,243	1,713,796
Total liabilities	6,705,068	6,691,532

29. LEASE COMMITMENTS

At 31 December, the annual rental commitments under non-cancellable operating leases were:

	<i>Group</i> <i>31 December</i> <i>2000</i> <i>£000</i>	<i>Group</i> <i>30 September</i> <i>1999</i> <i>£000</i>
Expiring after five years – premises	519	285

30. ASSETS CHARGED AS SECURITY FOR LIABILITIES

A charge on securities deposited with Euroclear and owned beneficially by the Bank, was created by the Bank in respect of all monies due or to become due from the company to Morgan Guaranty Trust Company of New York under the terms of the Collateral Agreement Governing Secured Borrowings by Participants in the Euroclear System, dated 18 March 1997. As at 31 December 2000, the market valuation of the floating rate notes and certificates of deposit held under the above arrangement was £510 million (1999 - £411 million). Such charges are standard for Euroclear participants.

31. PARENT COMPANY

During the period 1 October 1999 to 31 October 1999, the company was a wholly-owned subsidiary of The Royal Bank of Scotland plc., a company incorporated in Great Britain and registered in Scotland. The company has received £100 million under a loan agreement with The Royal Bank of Scotland Group plc. As at 29 October 1999 it had issued £40 million of ordinary share capital and £60 million of convertible loan stock. The Royal Bank of Scotland plc and a subsidiary of Mercury Asset Management each held £30 million of convertible loan stock as at 29 October 1999 and had the right to convert this into an interest in the issued share capital of the company. These rights were exercised on 29 October 1999 and £60 million of loan stock was converted to fully paid ordinary shares of £1 each. Following the completion of the sale of the company to BNY International Financing Corporation on 31 October 1999, the company's parent company became The Bank of New York Company, Inc. Copies of the Annual Report of The Bank of New York Company, Inc. may be obtained from Public and Investor Relations, One Wall Street, 13th Floor, New York, NY 10286.

Prior to completion of the sale, the company's parent company was The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the financial statements of The Royal Bank of Scotland Group plc may be obtained from the Company Secretary's office, The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

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