BNY Securities Limited

Report and Financial Statements

31 December 2005

Company Number: 3766757

Registered No: 3766757

Directors
T F Keaney (Chairman)
C E Rappold
A K Cameron
G Jones
T Berntsen
J D Meserve
C S Pack
J M Velli
V J Fitzpatrick
S A Jones
A G Johnstone
C S Lax

Company Secretary
BNY Secretaries (UK) Limited
One Canada Square
London E14 5AL

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
One Canada Square
London E14 5AL

Directors' Report

The Directors present their report, together with the audited financial statements of the Company for the year ended 31 December 2005 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985, as amended.

Principal activities and review of the business

The principal activities of the Company during the year were:

- Agency brokerage through G-Port and G-Trade;
- Commission recapture services through BNY Plan Services ;
- Engagement as an underwriter though Capital Markets;
- The formulation and execution of transition management strategies through BNY Global Transition Management ;
- Introducing brokerage through its Westminster Research and
- Independent equity research consulting through BNY Jaywalk.

Each of which were conducted through clearly identifiable Divisions of Staff ("Divisions"). The Divisions broadly align to other BNY Group undertakings that will contract with clients introduced to them by the Company.

The results for the year that were in line with the Director's expectations.

The Company is authorised and regulated by the Financial Services Authority ('FSA') pursuant to the Financial Services & Markets Act 2000. All of the Company's undertaking during the year, including the new business activities are regulated activities and are conducted within the permissions granted to the Company by the FSA.

Directors' Report

Results and dividends

The results for the year are set out on page 6. The Directors have not paid and do not propose to recommend the payment of any dividends in respect of the year (2005: Nil).

Future developments

The Directors will keep the market under review to identify further opportunities to enhance and develop the Company's undertaking generally.

Directors

The names of the present Directors are shown on page 1.

During the year there have been four appointments to the Board and two departures. Mr J V Fitzpatrick, Mr S A Jones, Mr A G Johnstone and Mr C S Lax were appointed as additional Directors on 2 March 2005, 1 August 2005, 5 September 2005 and the 21 October 2005 respectively. Ms L A Manuele and Mr J D Slone each resigned as Directors on 30 June 2005, and 31 May 2005 respectively.

Directors' Interests

None of the Directors, nor any member of their respective families, had reported any material interests in contracts involving the Company, or interests in the share or loan capital of the ultimate holding company, or its subsidiaries, at the relevant dates which required disclosure.

Ultimate holding company

The Directors regard The Bank of New York Company, Inc which is incorporated in the United States of America under the laws of the State of New York as the ultimate holding company.

Auditor

Ernst & Young LLP have indicated their willingness to continue in office and a Resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 385 of the Companies Act 1985, as amended.

Approved for the Board of Directors by a duly constituted Committee of Directors on 28 March 2006, and signed on behalf of the Board by:

Clifford Morris.

Clifford J Morris
For and on behalf of BNY Secretaries (UK) Limited

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 for that year. 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.

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

Independent auditor's report

to the members of BNY Securities Limited

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

28 March 2006

Profit and loss account

for the year ended 31 December 2005

	Notes	2005 $000	2005 $000	2004 $000
Turnover	2		6,443	4,275
Continuing operations		6,443		2,908
Discontinuing operations		–		1,134
Interest payable	3		(389)	(233)
Continuing operations		(389)		(233)
Net income			6,054	4,042
Administrative expenses	4		(6,092)	(3,434)
Continuing operations		(6,092)		(3,100)
Discontinuing operations		–		(334)
Profit/Loss on ordinary activities before taxation	5		(38)	608
Continuing operations		(38)		(275)
Discontinuing operations		–		883
Tax on profit / (loss) on ordinary activities	6		(127)	(302)
Retained Profits for the year			(165)	306
Profit and loss account brought forward			(8,661)	(8,967)
Profit and loss account carried forwards			**(8,826)**	**(8,661)**

The Company has no recognised gains or losses other than those above and therefore no separate statement of total recognised gains and losses has been presented (2005 - $nil).

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

The notes on pages 8 to 15 form part of these financial statements.

Balance sheet

at 31 December 2005

	Notes	2005 $000	2004 $000
Fixed Assets			
Tangible assets		2	0
		2	0
Current assets			
Debtors	9	16,198	15,595
Cash at bank		–	2
			15,597
Creditors: amounts falling due within one year	10	(1,276)	(508)
Net current assets		14,924	15,089
Creditors: amounts falling due after five years	11	(8,000)	(8,000)
Net assets		**6,924**	**7,089**
Capital and reserves			
Called up share capital	12	15,750	15,750
Profit and loss account	13	(8,826)	(8,661)
Shareholders' funds	14	**6,924**	**7,089**

Approved and authorised for issue on 28 March 2006 by a duly constituted Committee of Directors , and signed on behalf of the Board by:

Director

Notes to the financial statements

at 31 December 2005

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention and are presented in US dollars, being the dominant currency in which the Company operates.

Accounting convention

The financial statements have been prepared in accordance with schedule 4 of the Companies Act 1985. The principal activities of the Company are detailed in the Directors' report. The Directors believe that the nature of the Company's business is such that certain descriptions in the profit and loss account format prescribed by schedule 4 of the Companies Act are not appropriate. As required by the Act, the Directors have therefore adapted the prescribed format so that the results of the Company are described in a manner appropriate to the Company's principal activities.

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. 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.

Taxation

Provision is made for taxation at current rates on the taxable profits or losses.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Interest and commission

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

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Pension scheme arrangements

The costs of the company's defined contribution pension arrangements are charged to the profit and loss account in the period incurred by the Company.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cash flow statement is included in the ultimate parent Company's financial statements which are publicly available.

Related party transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the ultimate parent Company are publicly available.

Notes to the financial statements

at 31 December 2005

2. Turnover

	2005	*2005*	*2004*	*2004*
	$000	*$000*	*$000*	*$000*
Interest receivable and similar income arising from		–		
debt securities	–			–
Discontinuing	–		–	
Other interest receivable and similar income		–		–
Continuing	–		–	
Discontinuing	–		–	
Fees and Commissions Receivable		6,443		4,275
Continuing	6,443		3,277	
Discontinuing	–		998	
Total income		**6,443**		**4,275**

3. Interest payable

	2005	*2004*
	$000	*$000*
Amounts owed to group undertaking	389	233
	389	**233**

This represents interest payable on the subordinated loan of $8,000,000 from group (see note 11).

4. Administrative expenses

	2005	*2005*	*2004*	*2004*
	$000	*$000*	*$000*	*$000*
Salaries and wages		4,784		2,106
Continuing	4,784		2,161	
Discontinuing	–		(55)	
Social security costs		456		196
Continuing	456		196	
Discontinuing	–		–	
Other pension costs		202		112
Continuing	202		112	
Discontinuing	–		–	

Notes to the financial statements

at 31 December 2005

4. Administrative expenses (continued)

	2005	*2005*	*2004*	*2004*
	$000	*$000*	*$000*	*$000*
Other administrative expenses		648		994
Continuing	648		690	
Discontinuing	–		304	
Equipment depreciation		1		–
Continuing	1		–	
Discontinuing	–		–	
Clearing expense		–		73
Discontinuing	–		73	
Computer software		1		(47)
Continuing	1		(59)	
Discontinuing	–		12	
Intangibles written off		–		–
Discontinuing	–		–	
		6,092		**3,434**

The average number of persons working for the Company during the year was 17 (2004 - 16). These staff had contracts of service with another group undertaking. Staff costs and the average number of persons working for the Company are disclosed in the financial statements of the Company as the costs are reimbursed to the employing Company.

Notes to the financial statements

at 31 December 2005

5. Profit on ordinary activities before tax

The profit / (loss) on ordinary activities before taxation is stated after charging:

			2005	*2004*
			$000	*$000*
Auditors' remuneration	-	audit	14	15
	-	non-audit	–	–

6. Tax on profit on ordinary activities

Taxation is based on the profit for the year and comprises:

	2005	*2004*
	$000	*$000*
UK Corporation tax:		
- Current year	64	248
- Adjustment in respect of prior years	63	54
Tax on ordinary activities	**127**	**302**

The standard rate of corporation tax is 30% (2004 - 30%). The current tax charge for the year is higher than 30% (2004 was higher than 30%) for the reasons set out in the following reconciliation:

	2005	*2004*
	$000	*$000*
Profit / (loss) on ordinary activities before tax	(38)	608
Tax on profit / (loss) on ordinary activities at standard rate	(11)	182
Factors affecting change:		
Disallowable expenses	9	25
Additional taxable income – current year	66	88
Disallowable expenses – prior year adjustment	63	7
Current tax charge for year	**127**	**302**

7. Directors' emoluments

Directors' emoluments, including benefits in kind, amounted to £nil (2004 - £ 99,544). The aggregate value of Company contributions to the defined contribution pension scheme in respect of Directors' qualifying services was £nil (2004 - £ 8,188). One Director is accruing benefits in the defined contribution pension scheme in respect of qualifying services. The amounts were paid in sterling and have not been restated to US dollars.

Notes to the financial statements

at 31 December 2005

8. Pension scheme

During the year ended 31 December 2005 staff working for BNY Securities Limited were members of The Bank of New York Pension Plan (the "Plan"). This Plan is a defined contribution pension scheme. The plan's assets were held independently from those of the Company under a separately administered plan. The pension cost charge represents contributions paid initially by The Bank of New York to the fund on behalf of the 18 staff working for the Company (2004 - 16) and amounted to £215,089 (2004 - £112,312). No contributions were payable to the fund at the year-end.

9. Debtors

	2005	*2004*
	$000	*$000*
Trade debtors	–	–
Amounts owed by group and fellow subsidiary undertakings	16,137	12,541
Group relief receivable	–	2,952
Prepayments and accrued income recoverable within one year	61	102
	16,198	**15,595**

10. Creditors: *amounts falling due within one year*

	2005	*2004*
	$000	*$000*
Bank overdraft	–	–
Trade creditors	(89)	(191)
Tax Payable	(492)	
Other creditors and accruals	(695)	(317)
	(1,276)	**(508)**
Creditors include:		
Amount due to group undertakings	**(302)**	**(354)**

11. Creditors: *amounts falling due after more than five years*

	2005	*2004*
	$000	*$000*
Subordinated loan from group undertaking	**8,000**	**8,000**

The Company has an $8 million subordinated loan, falling due not less than five years after either party gives notice. Interest on the loan is payable at a rate of LIBOR plus 1.5% p.a. on a quarterly basis in arrears.

Claims in respect of the Company's loan capital are subordinated to the claims of other creditors. None of the Company's loan capital is secured.