

# **BNY Mellon Services Limited**

**Formerly BNY Securities Limited**

**Report and Financial Statements**

31 December 2007

TUESDAY



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COMPANIES HOUSE

**Directors**

W A Kerr

J M Johnston

**Company Secretary**

BNY Secretaries (UK) Limited  
160 Queen Victoria Street  
London EC4V 4LA

**Auditor**

KPMG Audit Plc  
One Canada Square  
London E14 5AG

**Registered Office**

One Canada Square  
London E14 5AL

## Directors' Report

The company name changed from BNY Securities Limited to BNY Mellon Services Limited, effective from 1 February 2008

The Directors present their report and financial statements for the year ended 31 December 2007

### Principal activities and review of the business

The principal activities of the Company during the year were

- Agency brokerage through G-Trade,
- Engagement as an underwriter through Capital Markets
- Commission recapture services through BNY Plan Services,
- Agency brokerage through G-Port
- 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 the foregoing activities was conducted through clearly identifiable Divisions of Staff ("Divisions") The Divisions broadly aligned to the relevant BNY Group undertakings that contract with clients introduced to them by the Company

The results for the year were in line with the Director's expectations The Capital Markets Division did not trade

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

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

	2007	2006	Change
	\$'000	\$'000	%
Net interest income	563	80	+600%
Non interest income	88,331	11,257	+685%
Total income	88,894	11,337	+684%
Operating expenses	76,043	8,653	+779%
Profit on ordinary activities before tax	12,851	2,684	+379%
Net assets	17,822	8,847	+101%
Average number of employees	27	19	+42%

Effective February 2007, clients of G-Trade executed trades through the London trading desk of BNY Securities Ltd rather than through the New York domiciled company. As a consequence of this, BNY Securities generated trading commissions with effect from this date rather than recovering cost plus 5% from G-Trade NY. This structural change in the business process has resulted in the significant change in revenues and expenses reported for 2007 versus the prior year.

Net interest income has increased as a result of the additional liquidity arising from the increase in profitability within the company.

### Post Balance Sheet events

Effective 1 February 2008 the assets of G-Trade and related divisions were sold to the BNY Convergenx joint venture, completing the transactions originally planned in the sale agreement of October 2006, between The Bank of New York Company Inc. and Convergenx Holdings Ltd.

### Future developments

Based on the sale of assets detailed in Post Balance Sheet events and the ultimate parents merger, a review of the on-going activities of this entity will form part of the Bank of New York Mellon Corporation's global legal entity review project.

### Principal business risk and uncertainties

The company generates revenue through fee based activities. The company's major risk is therefore the non receipt of these fees through client default or migration. Otherwise the Company is subject to fluctuations in general market and economic conditions.

## Directors' Report

### Directors

The names of the present Directors are shown on page 1

During the year there were two appointments to the Board and four departures. Mr J M Johnston was appointed as an additional Director of the Company on 19 March 2007, Mr W A Kerr was appointed as an additional Director of the Company on 9 November 2007. Mr A K Cameron resigned as a Director of the Company on 9 January 2007, Mr V J Fitzpatrick resigned as a Director of the Company on 2 March 2007, Mr T F Keaney resigned as a Director of the Company on 12 October 2007 and Mr S A Jones resigned as a Director of the Company on 20 November 2007.

Since the year there has been two departures from the Board. Mr A G Johnstone and Mr G Jones each resigned as Directors of the Company on 31 January 2008.

### Equal opportunities

The Company is committed to equality of opportunity. The Company follows the best employment practices of the 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.

### Employee involvement

The Company encourages 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.

### Ultimate holding company

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

### Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved for the Board of Directors on 31 March 2008, and signed on behalf of the Board by



John M Johnston  
For and on behalf of BNY Securities Limited  
Director

## **Statement of Directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The company financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities

## **Independent auditor's report**

### **to the members of BNY Securities Limited**

We have audited the company financial statements of BNY Securities Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 judgments 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.

## Independent auditor's report

to the members of BNY Securities Limited

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc

31 March 2008

*Chartered Accountants*

*Registered Auditor*



## Profit and loss account

for the year ended 31 December 2007

	Notes	2007 \$	2006 \$
<b>Turnover</b>	2	88,330,656	11,257,762
Fees and Commissions	2a	88,330,656	9,086,548
Discontinued operations - Other Income	2b	–	2,171,214
<hr/>			
Administrative expenses	5	(76,042,788)	(8,653,374)
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Operating Profit		12,287,868	2,604,388
<hr/>			
Interest receivable	3	1,122,830	611,320
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Interest payable	4	(560,149)	(530,975)
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<b>Profit on ordinary activities before taxation</b>	6	12,850,549	2,684,733
Tax on profit on ordinary activities	7	(3,875,368)	(761,873)
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<b>Profit for the year</b>		<u>8,975,181</u>	<u>1,922,860</u>

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

All of the operational activities of the company have been discontinued (See note 2a)

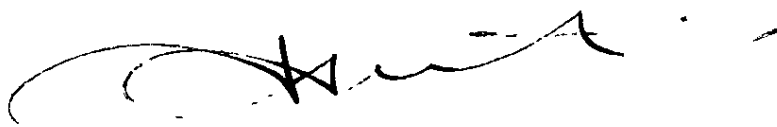
The notes on pages 10 to 17 form part of these financial statements

**Balance sheet**

at 31 December 2007

		2007 \$	2006 \$
	<i>Notes</i>		
<b>Fixed Assets</b>			
Tangible assets	10	7,890	10,563
		<u>7,890</u>	<u>10,563</u>
<b>Current assets</b>			
Debtors	11	4,957,504	3,052,751
Cash at bank		30,702,475	18,951,528
		<u>35,659,979</u>	<u>22,004,279</u>
<b>Creditors:</b> amounts falling due within one year	12	(17,845,451)	(5,167,421)
<b>Net current assets</b>		<u>17,814,528</u>	<u>16,836,858</u>
Provisions for liabilities and charges	13	(187)	(371)
<b>Creditors</b> amounts falling due after more than one year	14	—	(8,000,000)
<b>Net assets</b>		<u>17,822,231</u>	<u>8,847,050</u>
<b>Capital and reserves</b>			
Called up share capital	15	15,750,004	15,750,004
Profit and loss account	16	2,072,227	(6,902,954)
<b>Shareholders' funds - equity</b>	17	<u>17,822,231</u>	<u>8,847,050</u>

These financial statements were approved by the Board of Directors on 31 March 2008, and were signed on its behalf by



J M Johnston

Director

## Notes to the financial statements

at 31 December 2007

### 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 accounting rules and are presented in US dollars (except Notes 7 and 13), being the functional 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 currencies

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, Fees and Commissions

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

## Notes to the financial statements

at 31 December 2007

### 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

### 2. Turnover

	2007	2006
	\$	\$
Fees and Commissions Receivable	88,330,656	9,086,548
Discontinued operations - Other Income	–	2,171,214
Total income	<u>88,330,656</u>	<u>11,257,762</u>

#### (a) Discontinued operations – fees and commissions

As noted in note 19 the operational activities of the company were discontinued after the end of the year

#### (b) Discontinued operations – other income

This receipt is in respect of balances previously written off in 2003 and subsequently received. These balances related to the Company's Global Clearing Division which was disposed of in 2003

### 3. Interest receivable

	2007	2006
	\$	\$
Interest receivable and similar income	1,122,830	611,320
	<u>1,122,830</u>	<u>611,320</u>

The interest received during the period is as a result of funds placed on monthly deposit with a group undertaking

## Notes to the financial statements

at 31 December 2007

### 4. Interest payable

	2007	2006
	\$	\$
Amounts owed to group undertaking	560,149	531,975
	<u>560,149</u>	<u>531,975</u>

This represents interest payable on the subordinated loan of \$8,000,000 from a group undertaking (see note 13)

### 5. Administrative expenses

	2007	2006
	\$	\$
Salaries and wages	8,907,075	6,614,626
Social security costs	1,329,542	598,750
Other pension costs	409,036	291,597
Other administrative expenses	65,397,135	1,148,152
	<u>76,042,788</u>	<u>8,653,125</u>

The average number of persons working for the Company during the year was 27 (2006 - 19). 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.

### 6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

	2007	2006
	\$	\$
Auditors' remuneration and expenses - Auditor's remuneration for 2007 to be borne by another group company	<u>45,641</u>	<u>17,609</u>

## Notes to the financial statements

at 31 December 2007

### 7. Tax on profit on ordinary activities

Taxation is based on the profit for the year and comprises

	2007	2006
	\$	\$
UK Corporation tax		
- UK Corporation tax on profits of the period	3,875,552	878,474
- Adjustment in respect of prior years	-	(116,972)
	<u>3,875,552</u>	<u>761,502</u>
Deferred tax		
- Origination and reversal of timing differences	(184)	371
	<u>3,875,368</u>	<u>761,873</u>

The standard rate of corporation tax is 30% (2006 - 30%) The current tax charge for the year is higher than 30% (2006 was lower than 30%) for the following reasons

	2007	2006
	\$	\$
Profit on ordinary activities before taxation	12,850,549	2,684,734
Tax on profit at 30%	<u>3,855,165</u>	<u>805,420</u>
Effects of		
Disallowable expenses	20,203	10,804
Additional taxable income – current year	-	62,621
Other timing differences		
Excess of capital allowances over depreciation	184	(371)
Adjustment in respect of prior year	-	(116,972)
	<u>3,875,552</u>	<u>761,502</u>

### 8. Directors' emoluments

Directors' emoluments, including benefits in kind, amounted to £344,510 (2006 - £nil) The aggregate value of Company contributions to the defined contribution pension scheme in respect of Directors' qualifying services was £24,322 (2006 - £nil) 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 2007

### 9. Pension scheme

During the year ended 31 December 2007 employees of the Company 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 29 staff working for the Company (2006 - 24) and amounted to \$409,036 (2006 - \$291,597). No contributions were payable to the fund at the year-end.

### 10. Tangible fixed assets

	2007	2006
<i>Computer equipment</i>	\$	\$
Cost		
At 1 January	13,228	2,928
Additions	—	10,126
At 31 December	13,228	13,054
Depreciation		
At 1 January	(2,491)	(752)
Charge for the year	(2,847)	(1,739)
At 31 December	(5,338)	(2,491)
Net book value at 31 December	7,890	10,563

### 11. Debtors

	2007	2006
	\$000	\$000
Amounts owed by group and fellow subsidiary undertakings	4,957,504	3,052,751
Prepayments	—	—
	4,957,504	3,052,751

## Notes to the financial statements

at 31 December 2007

### 12. Creditors: amounts falling due within one year

	2007	2006
	\$	\$
Tax Payable	3,875,552	1,253,117
Amounts owed to group companies	1,726,851	1,458,010
Subordinated loan from group undertaking	8,000,000	—
Other creditors and accruals	4,243,048	2,456,294
	<u>17,845,451</u>	<u>5,167,421</u>

The Company has an \$8 million subordinated loan, falling due in February 2008. 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.

Following the sale of G-Trade and related divisions, the loan repayment was deferred and will be processed during 2008.

### 13. Provisions for liabilities and charges

	2007	2006
	£	£
Deferred tax liability/(asset) - fixed asset timing differences		
At 1 January	371	—
Deferred tax arising in the year	(184)	371
At 31 December	<u>187</u>	<u>371</u>

### 14. Creditors: amounts falling due after more than one year

	2007	2006
	\$	\$
Subordinated loan from group undertaking (see note 12)	<u>—</u>	<u>8,000,000</u>



## Notes to the financial statements

at 31 December 2007

### 15. Called up share capital

	2007	2006
	£	£
Authorised Ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
	\$	\$
Ordinary shares of \$1 each	51,000,000	51,000,000
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid Ordinary shares of £1 each	4	4
Ordinary shares of \$1 each	15,750,000	15,750,000
	<u>          </u>	<u>          </u>
	15,750,004	15,750,004
	<u>          </u>	<u>          </u>

The £ and \$ ordinary shares are separate classes of shares but rank pari passu in all respects

### 16. Profit and loss account

	2007	2006
	\$	\$
At 1 January	(6,902,954)	(8,825,814)
Profit for the year	8,975,181	1,922,860
	<u>          </u>	<u>          </u>
At 31 December	2,072,227	(6,902,954)
	<u>          </u>	<u>          </u>

### 17. Reconciliation of equity shareholders' funds

	2007	2006
	\$	\$
Equity shareholders' funds at 1 January	8,847,050	6,924,190
Profit for the year	8,975,181	1,922,860
	<u>          </u>	<u>          </u>
Equity shareholders' funds at 31 December	17,822,231	8,847,050
	<u>          </u>	<u>          </u>

## Notes to the financial statements

at 31 December 2007

### 18. Ultimate holding company

The ultimate holding Company as at 31 December was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from

The Secretary  
The Bank of New York Mellon Corporation  
One Wall Street,  
New York  
10286

On the 1<sup>st</sup> July 2007 the ultimate company The Bank of New York Company, Inc merged with Mellon Financial Corporation, with effect from this above date the new ultimate company is The Bank of New York Mellon Corporation

The immediate parent undertaking is BNY International Financing Corporation, incorporated in the United States of America

### 19 Post balance sheet events

Effective 1 February 2008 the assets of G-Trade and related divisions were sold to the BNY Convergenx joint venture, completing the transactions originally planned in the sale agreement of October 2006, between The Bank of New York Company Inc and Convergenx Holdings Ltd