

BNY Mellon Services Limited
(formerly BNY Securities Limited)

Directors' report and financial statements

Registered number: 3766757

For the year ended 31 December 2008

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BNY Mellon Services Limited

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BNY Mellon Services Limited

Directors' report

The Directors present their report and financial statements of BNY Mellon Services Limited ("the Company") for the year ended 31 December 2008.

Principal activities

The principal activity of the Company prior to the sale referred to below was agency brokerage through G-Trade. The Company has undertaken a review of its activities subsequent to the sale and the Directors are currently considering the future business undertakings of the Company.

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 undertakings during the year are regulated activities and are conducted within the permissions granted to the Company by the FSA.

Results and dividends

The profit for the year after taxation amounted to \$1.48 million (2007: profit \$8.98 million).

The Directors do not recommend a dividend for the year ended 31 December 2008 (2007: \$nil).

Business Review

The Company's name changed from BNY Securities Limited to BNY Mellon Services Limited, effective from 1 February 2008.

Effective February 2007, clients of G-Trade executed trades through the London trading desk of the Company rather than through the New York domiciled Company. As a consequence of this, the Company generated trading commissions with effect from this date rather than recovering cost plus 5% from G-Trade New York.

The Bank of New York Mellon Corporation, the ultimate parent Company, under an agreement entered into in October 2006 sold its Execution Services division to BNY ConvergEx Group, LLC ("BNY ConvergEx"). The sale included the G-Trade execution business transacted in the UK and was effective on 1 February 2008. There was no gain or loss on the sale because the underlying assets and liabilities were transferred at book value. The Bank of New York Mellon Corporation directly holds 33.8% equity interest in BNY ConvergEx.

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

	2008	2007	Change
	\$000	\$000	%
Turnover	8,049	88,336	(91%)
Administrative expenses	7,734	76,043	(90%)
Net assets	19,297	17,822	8%

The fall in the revenue and expense of the Company reflects the sale of the business as noted above.

BNY Mellon Services Limited

Directors' report- continued

Risk Management

The Company is a BIPRU full scope firm and is regulated by the FSA. Capital and other financial returns are prepared and submitted to the regulator on a quarterly basis. At 31 December 2008, surplus own funds amounted to £14,771,000 (2007: £6,832,000).

Governance and Policies

Policies and procedures are in place to govern and manage the business, which are common to all BNY Mellon entities. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

Governance of the Company is carried out through a regular meeting of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as assisting the risk management framework.

Key Group committees are in place to oversee the risk management function and to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines.

The key Group committees include:

- Asset Liability Management Committee
- Credit Portfolio Management Committee
- Market Risk Committee
- Operational & Technology Risk Committee

In addition there are a number of regional key oversight committees in place to build on the US Corporate Global Risk Management Framework.

- The BNYM EMEA (Europe, Middle East, and Africa) Risk Committee has an oversight responsibility covering the major risk sources (except Liquidity risk), including Compliance of the EMEA region.
- The EMEA Risk Committee has representation from the key risk sources as well as Business Heads. Reports are provided and reviewed covering the risk sources and any issues that need monitoring.
- The EMEA Asset & Liability Committee has oversight responsibility for the balance sheets of the U.S branches in EMEA as well as local legal entities and its focus is primarily overseeing that Liquidity risk is managed effectively.

Risk Management Process

The lines of business are responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this detailed self-assessment is to prevent or minimize:

- Errors or service delivery failures, especially those with visible impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

Credit risk

Credit risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties ability to perform. The level of residual operational risk is managed by rigorous operating policies, procedures and controls.

BNY Mellon Services Limited

Directors' report – continued

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from derivative financial instruments, such as futures, forwards, swaps and other options, and other financial instruments, including loans, securities, deposits and other borrowings.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events: including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

Liquidity risk

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Business risk

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation. This risk is mitigated through senior management culture, training, integration of compliance policies and controls into business processes and independent compliance monitoring and oversight.

Directors

J M Johnston
Alex Johnstone
Gareth Jones
W A Kerr
Craig Lax

Resignation

-
31st January 2008
31st January 2008
-
31st January 2008

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BNY Mellon Services Limited

Directors' report – continued

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board

A handwritten signature in black ink, appearing to be 'John M Johnston', written over a faint circular stamp.

John M Johnston
Director

20 March 2009
One Canada Square
London
E14 5AL

BNY Mellon Services Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND 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's 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 of the Company 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; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

BNY Mellon Services Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNY MELLON SERVICES LIMITED

We have audited the financial statements of BNY Mellon Services Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account and 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 6.

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.

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 2008 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
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

20 March 2009

BNY Mellon Services Limited

Profit and loss account for the year ended 31 December 2008

	Notes	2008 \$000	2007* \$000
Turnover			
- from discontinued operations	2	8,049	88,336
Administrative expenses			
- from discontinued operations		(7,734)	(76,043)
Operating profit			
- from discontinued operations		315	12,293
Interest receivable and similar income	7	897	1,112
Interest payable and similar charges	8	(270)	(555)
Profit on ordinary activities before taxation		942	12,850
Tax credit/(charge) on profit on ordinary activities	9	533	(3,875)
Profit for the financial year		1,475	8,975

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

Notes 1 to 16 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year relate to discontinued operations.

The Company has not prepared a separate statement of total recognised gains and losses as all gains and losses are reflected in the profit and loss account above.

BNY Mellon Services Limited

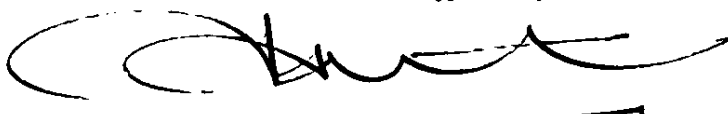
Balance sheet at 31 December 2008

	Notes	2008 \$000	2007* \$000
Fixed assets			
Tangible assets	10	-	8
Current assets			
Debtors	11	20,212	33,933
Creditors: amounts falling due within one year	12	(915)	(16,119)
Net assets		<u>19,297</u>	<u>17,822</u>
Capital and reserves			
Called up share capital	13	15,750	15,750
Profit and loss account	14	3,547	2,072
Shareholders' funds	14	<u>19,297</u>	<u>17,822</u>

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

Notes 1 to 16 are integral to these financial statements.

The financial statements were approved by the Board of Directors and were signed on its behalf by:



John M Johnston
Director
20 March 2009

BNY Mellon Services Limited

Notes to the financial statements At 31 December 2008

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The financial statements are presented in US dollars, being the functional currency in which the Company operates.

Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with UK applicable accounting standards and under the historical cost accounting rules.

Certain prior year numbers have been reclassified to be consistent with current year presentation.

Turnover

Turnover, which is stated net of value added tax, is attributable to fees receivable for primarily G-Trade services. Fees are recognised once the service has been provided.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer hardware and software	-	4 years
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Post retirement benefits

For defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Subordinated Loans

Loans are carried at amortised cost.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Interest, Fees and Commissions

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

Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Group intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using the tax rates

BNY Mellon Services Limited

Notes to the financial statements- continued At 31 December 2008

Accounting policies (continued)

expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting Group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity.

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.

Cash flow statement

The Company is a wholly owned subsidiary of The Bank of New York Mellon Corporation for the year ended 31 December 2008, and is included in the consolidated financial statements of that Company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

BNY Mellon Services Limited

Notes to the financial statements- continued At 31 December 2008

2. Analysis of turnover

By activity

	2008 \$000	2007* \$000
Fees and Commission receivable	8,049	88,336

All of the turnover arises within European Economic Area (EEA).

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging:

	2008 \$000	2007* \$000
Foreign exchange (gain)/loss	(374)	5
Depreciation	-	3
Auditors' remuneration		
	2008 \$000	2007 \$000
Audit of these financial statements pursuant to legislation	4	4
FSA audit fees	9	9
	13	13

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

4. Staff costs

	2008 \$000	2007 \$000
Salaries and wages	1,149	8,907
Social security costs	97	1,330
Pension costs	35	409
	1,281	10,646

The average monthly number of persons employed by the Company during the year was 2 (2007: 27) of which 2 were Directors (2007: 5). The number was 27 for January and reduced to two for the remainder of the year.

5. Directors emoluments

	2008 \$000	2007 \$000
Directors' emoluments	42	639

The aggregate value of Company contributions to the defined contribution pension scheme in respect of Directors' qualifying services was \$3,136 (2007: \$45,077).

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Notes to the financial statements- continued At 31 December 2008

6. Pensions costs

During the year ended 31 December 2008 staff working for the Company were members of The Bank of New York Pension Plan's defined contribution element ("the Plan"). The Plan's assets were held independently from those of the Company under a separately administered plan.

The pension cost represents contributions paid initially by the Bank of New York to the Plan on behalf of the 27 staff working for the Company in the first month of the year (2007: 29) and amounted to \$34,765 (2007: \$409,036 for the full year). No contributions were payable to the fund at the year end.

7. Interest receivable and similar income

	2008 \$000	2007 \$000
Receivable from Group undertakings	897	1,112

8. Interest payable and similar charges

	2008 \$000	2007* \$000
Payable to Group undertakings	270	555

This represents interest payable on the subordinated loan of \$8m (2007: \$8m) from a Group undertaking. This loan was repaid on 30 May 2008 (note 12).

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

9. Taxation

	2008 \$000	2007 \$000
Taxation is based on profit before tax for the year and comprises:		
- Current corporation tax charge for the year at 28.5% (2007: 30%)	274	3,875
- Adjustment in respect of prior periods		
- UK corporation tax	(805)	-
Total current tax	(531)	3,875
Deferred Tax	(2)	-
	<u>(533)</u>	<u>3,875</u>

The UK standard rate of corporation tax changed from 30% to 28% from 1 April 2008 (2007: 30%). The current corporation tax rate for the year is lower than (2007: higher than) the standard rate of tax for the year for the reasons set out in the following reconciliation:

	2008 \$000	2007 \$000
Taxation is based on profit before tax for the year and comprises:		
Profit on ordinary activities before tax	942	12,850
Tax charge on profit on ordinary activities at standard rate 28.5% (2007: 30%)	268	3,855
Factors affecting tax (credit)/charge:		
- Disallowable expenses	4	20
- Excess of depreciation over capital allowances	2	-
- Adjustment in respect of prior years	(805)	-
Current corporation tax (credit)/charge for year	<u>(531)</u>	<u>3,875</u>

BNY Mellon Services Limited

Notes to the financial statements- continued At 31 December 2008

10. Tangible fixed assets

	Computer hardware and software \$000
Cost:	
At 1 January 2008	13
Disposals and write offs	(13)
At 31 December 2008	-
Depreciation:	
At 1 January 2008	(5)
Disposals and write offs	5
At 31 December 2008	-
Net book value:	
At 31 December 2008	-
At 31 December 2007	8

11. Debtors

	2008 \$000	2007* \$000
Other debtors	103	2,056
Due from fellow Group undertakings**	20,109	31,877
	<u>20,212</u>	<u>33,933</u>

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

**The amount represents funds placed with a UK regulated banking entity within the Group.

12. Creditors: amounts falling due within one year

	2008 \$000	2007* \$000
Subordinated loan from Group undertaking*	-	8,000
Taxation and social security	915	3,876
Other creditors	-	4,243
	<u>915</u>	<u>16,119</u>

*Certain prior year numbers have been reclassified to be consistent with current year presentation.

**The Company had an \$8 million subordinated loan, which was repaid to the Bank of New York Mellon Corporation, the ultimate parent Company, at the end of May 2008. Interest on the loan was 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 were subordinated to the claims of other creditors. None of the Company's loan capital was secured.

BNY Mellon Services Limited

Notes to the financial statements- continued At 31 December 2008

13. Called up share capital

	2008	2007
Authorised, 1,000 ordinary shares of £1 each	£1,000	£1,000
Authorised, 51,000,000 ordinary shares of \$1 each	<u>\$51,000,000</u>	<u>\$51,000,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	£2	£2
Ordinary shares of \$1 each	<u>\$15,750,000</u>	<u>\$15,750,000</u>

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

14. Movement in reserves

	Called up share capital \$000	Profit and loss account \$000	Total \$000
2008			
At 1 January	15,750	2,072	17,822
Retained profit for the year	-	1,475	1,475
At 31 December	<u>15,750</u>	<u>3,547</u>	<u>19,297</u>
	Called up share capital \$000	Profit and loss account \$000	Total \$000
2007			
At 1 January	15,750	(6,903)	8,847
Retained profit for the year	-	8,975	8,975
At 31 December	<u>15,750</u>	<u>2,072</u>	<u>17,822</u>

15. Transactions involving Directors, officers and others

At 31 December 2008 there were no loans and other transactions made to Directors and Officers of the Company (2007: \$nil).

16. Parent Company

The immediate parent of the Company is BNY International Financing Corporation incorporated in the United States of America.

The ultimate parent company as at 31 December 2008 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, New York
NY 10286