

BNY Mellon Services Limited

Directors' report and financial statements

Registered number: 3766757

For the year ended 31 December 2010

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BNY Mellon Services Limited

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BNY Mellon Services Limited

Board of directors and other information

Directors

J M Johnston

W A Kerr

J Roy

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG Audit Plc

15 Canada Square

London

E14 5GL

Registered Office

One Canada Square

London

E14 5AL

Registered Number

3766757

BNY Mellon Services Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

Principal activities

The principal activity of BNY Mellon Services Limited (the "Company") is distributing debt securities on behalf of BNY Capital Markets LLC, another group 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 activities during the year are regulated and conducted within the scope of permissions granted to the Company by the FSA

Results and dividends

The profit for the year amounted to \$152,000 (2009 loss of \$33,000)

No interim dividend was paid during the year (2009 \$nil) The directors do not recommend a final dividend for the year ended 31 December 2010 (2009 \$nil)

Business review

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

	2010 \$000	2009 \$000	Change %
Turnover	29	16	81
Administrative expenses	19	150	(87)
Net assets	19,416	19,264	1

During the year the Company earned a small amount of operating income for a single transaction undertaken with another group entity, and incurred some nominal operating expenses

Future developments

The directors are currently considering a new broker-dealer business to conduct through this entity, and are applying for the relevant FSA permissions. It is anticipated that this broker-dealer business will be the new principal activity of this company

BNY Mellon Services Limited

Directors' report – continued

Risk management

The Company is a BIPRU limited licence 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 2010, regulatory capital as reflected within the Company's regulatory returns amounted to \$19,264,000 (2009 \$19,251,000).

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.

Risk management and oversight of the Group begins with the Board of Directors and two key Board committees: the Risk Committee and the Audit Committee.

The Risk Committee of BNY Mellon Group assists the Board of Directors in fulfilling its oversight responsibilities with regard to (a) the risks inherent in the business of the Corporation and the control processes with respect to such risks, (b) the assessment and review of credit, market, fiduciary, liquidity, reputational, operational, fraud, strategic, technology, data-security and business-continuity risks, (c) the risk management activities of the Corporation and its subsidiaries, and (d) fiduciary activities of the Corporation's subsidiaries.

The key regional oversight committees build on the Global Risk Management Framework, adapting policies and procedures for local application.

BNY Mellon's Europe, Middle East, and Africa (EMEA) business activities are conducted through a network of legal entities and lines of business. There is an appropriate structure in place to oversee and implement the strategy and management of the lines of business in the Company. Strategic direction as well as day to day management of the business occurs within the lines of business, whilst the Board of Directors have overall responsibility for overseeing the Group.

The Governance Committees in the EMEA region comprise line of business senior management and regional executives. The Board of Directors of the Company are represented on each of the key regional committees.

- EMEA Executive Committee (EEC)
- EMEA Senior Risk Management Committee, the delegated body of the EEC which provides independent oversight of policies, processes and controls relating to all aspects of risks and compliance covered by the four EMEA sub-committees
 - EMEA Asset Liability Committee
 - EMEA Risk and Compliance Committee
 - EMEA Control Committee
 - EMEA Anti-Money Laundering Oversight Committee

Risk management process

The understanding, identification and management of risk are essential elements for the successful management of BNY Mellon. The risk management framework at Group level is designed to

- Provide that risks are identified, monitored, reported, and priced properly,
- Define and communicate the types and amount of risk to take,
- Communicate to the appropriate management level, the type and amount of risk taken,
- Maintain a risk management organization that is independent of the risk taking activities, and
- Promote a strong risk management culture that encourages a focus on risk-adjusted performance.

BNY Mellon Services Limited

Directors' report – continued

Risk management process - continued

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 Risk Appetite at Group level is set and owned by the BNY Mellon Board of Directors, giving the overall strategy and willingness to take on risk at a global level. The Company's approach to Risk Management is to ensure that all material risks in each business are defined, understood and effectively managed by well-designed policies and controls. The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the group and in coordination with the relevant Business expertise

Credit risk

Credit risk is the risk of default from counterparties or clients where realisation of the value of the asset is dependent on their ability to perform

Market risk

Market risk is the risk to a firm's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates and equity and commodity prices. In the Company, this arises mainly from foreign exchange (FX) risk

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. For the Company, operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures, execution, delivery and process management or other events. It can also arise from potential legal or regulatory actions because of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations

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. Currently due to very limited activity this is not seen as a significant risk for the Company

Business risk

Business risk is defined as the risks that confront a business, after taking all the known and quantifiable risks into consideration. Business risk consists of items like unexpected changes in the external macro environment or client behaviour, etc. BNY Mellon Group computes business risk using a model that calculates the capital resource requirements required to cover the volatility in the firm's gross profits

Regulatory risk

Regulatory risk relates to a regulatory change that would increase the compliance burden and the cost of doing business. Emerging regulations are monitored by Risk Management and Compliance and reported to regional senior management, and preparations and strategies to comply with regulations are put in place where necessary

BNY Mellon Services Limited

Directors' report – continued

Directors

The directors who served during the year and up to the date of the report were as follows

	Appointment	Resignation
J M Johnston	-	-
W A Kerr	-	-
J Roy	13 December 2010	-

Directors' indemnity provision

The directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2009 nil)

Post balance sheet events

On Friday 8 April 2011 the Board approved a resolution to change the Company's name from BNY Mellon Services Limited to BNY Mellon Capital Markets EMEA Limited. This name change is pending, subject to FSA approval.

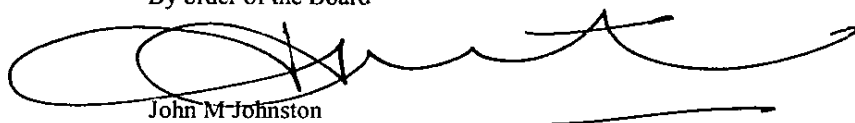
Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

By order of the Board



John M Johnston
Director

19 April 2011
One Canada Square
London
E14 5AL
Registered number 3766757

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 auditor's 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 2010 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

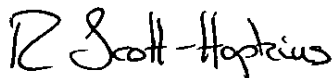
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



R Scott - Hopkins (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountant

15 Canada Square
London
E14 5GL

19 April 2011

BNY Mellon Services Limited

Profit and loss account for the year ended 31 December 2010

	Notes	2010 \$000	2009 \$000
Turnover			
- from continuing operations	2	29	16
Administrative expenses			
- from continuing operations		(19)	(14)
- from discontinued operations		-	(136)
		(19)	(150)
Operating profit/(loss)			
- from continuing operations		10	2
- from discontinued operations		-	(136)
		10	(134)
Interest receivable and similar income	6	22	88
Profit/(Loss) on ordinary activities before taxation		32	(46)
Taxation on profit on ordinary activities	7	120	13
Profit/(Loss) for the financial year		152	(33)

Notes 1 to 14 are integral to these financial statements

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 2010

	Notes	2010 \$000	2009 \$000
Current assets			
Cash at bank and in hand	8	19,447	20,142
Debtors	9	2	22
Total assets		<u>19,449</u>	<u>20,164</u>
Creditors amounts falling due within one year	10	(33)	(900)
Net assets		<u>19,416</u>	<u>19,264</u>
Capital and reserves			
Called up share capital	11	15,750	15,750
Profit and loss account	12	<u>3,666</u>	<u>3,514</u>
Shareholders' funds	12	<u>19,416</u>	<u>19,264</u>

Notes 1 to 14 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
 19 April 2011

BNY Mellon Services Limited

Notes to the financial statements at 31 December 2010

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 following amendments to standards have been adopted in these financial statements for the first time and have not had a material impact

- The amendment to Financial Reporting Standard ("FRS") 20 (IFRS 2) Group cash-settled share based payments (mandatory for periods starting on/after 1 January 2010)
- Improvements to FRSs (mandatory for periods starting on/after 1 January 2010)

The following amendments to standards are not yet effective, and are not expected to have a material impact on these financial statements

- The amendment to FRS 25 Financial Instruments Presentation (mandatory for periods starting on/after 1 January 2010)

Basis of preparation

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

Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with wholly owned subsidiaries which form part of the group

Cash flow statement

The Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, 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 FRS 1 (revised 1996)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on page 7. In addition, the directors' report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk.

The directors perform an annual going concern assessment that considers, under a stress test scenario, the Company's ability to meet its forecast financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. The Company has adequate liquidity and capital, and appropriate cash flow management. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

BNY Mellon Services Limited

Notes to the financial statements – continued at 31 December 2010

1. Accounting policies- continued

Turnover

Turnover, which is stated net of value added tax, is attributable to fees receivable for bond underwriting performed for another group entity during the year. Fees are recognised on an accrual basis as services are provided.

Segmental reporting

A segment is a distinguishable component of the Company which is specific to either the type of product or service (business segment), or to products and services provided within a particular economic environment (geographical segment), where the risks and rewards are different from those of other segments.

Currently, the directors consider the Company's bond underwriting services to be a single activity in one market, which is not geographically segmented.

Interest, fees and commissions

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

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.

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. The assets of the scheme are held separately from those of the Company.

Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the profit and loss account 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 Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised without discounting 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 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.

BNY Mellon Services Limited

Notes to the financial statements – continued at 31 December 2010

2. Analysis of turnover

By activity

	2010 \$000	2009 \$000
Revenue from another company within group from continuing operations	29	16
	<u>29</u>	<u>16</u>

The entire turnover arises within the European Economic Area (EEA)

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2010 \$000	2009 \$000
Auditor's remuneration		
Audit of these financial statements pursuant to legislation	6	3
Other services pursuant to such legislation	6	3
	<u>12</u>	<u>6</u>

4. Staff costs

The Company had no employees during the year ended 31 December 2010 (2009 nil)

5. Directors emoluments

The directors did not receive any remuneration for their services in respect of the Company (2009 \$nil)

6. Interest receivable and similar income

	2010 \$000	2009 \$000
Interest receivable from group undertakings	12	5
Net foreign exchange gain	10	83
	<u>22</u>	<u>88</u>

BNY Mellon Services Limited

Notes to the financial statements – continued at 31 December 2010

7 Taxation

	2010 \$000	2009 \$000
<i>Analysis of charge in the period</i>		
Taxation is based on profit before tax for the year and comprises		
- Current corporation tax charge/(credit) for the year at 28% (2009 28%)	6	(13)
- Adjustment in respect of prior years	(126)	-
Total current tax	(120)	(13)
Deferred tax	-	-
Taxation on profit on ordinary activities	(120)	(13)

The current corporation tax rate for the year is lower than (2009 equal to) the standard rate of tax for the year for the reasons set out in the following reconciliation

	2010 \$000	2009 \$000
Taxation is based on profit before tax for the year and comprises		
Profit/(Loss) on ordinary activities before tax	32	(46)
Tax charge/(credit) on profit on ordinary activities at standard rate 28% (2009 28%)	9	(13)
Factors affecting tax charge/(credit)		
- Trading losses brought forward utilised during the year	(3)	-
- Adjustment in respect of prior years	(126)	-
Current corporation tax credit for year	(120)	(13)

Factors that may affect future current and total tax charges

It was originally announced that the UK corporate income tax rate would be reduced from 28% to 27% with effect from 1 April 2011. In the 2011 budget on 23 March 2011 the UK government announced its intention to reduce the UK rate of corporate income tax from 28% to 26% with effect from 1 April 2011 with further reductions of 1% in each year until the standard rate will be 23% in 2014. However, as at 31 December 2010 this further rate reduction to 26% had not been substantively enacted.

8. Cash at bank

	2010 \$000	2009 \$000
Cash at bank	19,447	20,142

This cash balance represents deposits with a UK regulated banking entity within the BNY Mellon group

9. Debtors

	2010 \$000	2009 \$000
Other debtors	2	22

BNY Mellon Services Limited

Notes to the financial statements – continued at 31 December 2010

10. Creditors: amounts falling due within one year

	2010 \$000	2009 \$000
Taxation and social security	-	889
Other creditors	4	-
Amounts due to group undertakings	29	11
	<u>33</u>	<u>900</u>

11. Called up share capital

	2010 £2	2009 £2
Allotted, called up and fully paid 2 ordinary shares of £1 each (2009 2)		
15,750,000 ordinary shares of \$1 each (2009 15,750,000)	<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

12. Movement in reserves

	Called up share capital \$000	Profit and loss account \$000	Total \$000
2010			
At 1 January	15,750	3,514	19,264
Profit for the financial year	-	152	152
At 31 December	<u>15,750</u>	<u>3,666</u>	<u>19,416</u>
	Called up share capital \$000	Profit and loss account \$000	Total \$000
2009			
At 1 January	15,750	3,547	19,297
Loss for the financial year	-	(33)	(33)
At 31 December	<u>15,750</u>	<u>3,514</u>	<u>19,264</u>

13. Transactions involving directors and officers

At 31 December 2010 there were no loans and other transactions made to directors and officers of the Company (2009 \$nil)

BNY Mellon Services Limited

Notes to the financial statements – continued at 31 December 2010

14. Parent Company

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

The largest group in which the results of the Company are consolidated is that headed The Bank of New York Mellon Corporation, incorporated in the United States of America. The smallest group in which they are consolidated is that headed by BNY International Financing Corporation incorporated in the United States of America.

The ultimate parent company as at 31 December 2010 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, NY
10286
USA