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DIRECTORS' REPORT AND ACCOUNTS

TORONTO DOMINION HOLDINGS (UK) LIMITED

31 OCTOBER 1988

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TORONTO DOMINION HOLDINGS (UK) LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 October 1988.

ACTIVITIES AND REVIEW OF THE BUSINESS

The company is a holding company whose subsidiaries provide financial services.

The balance sheets for the group and the company as at 31 October 1988 together with the profit and loss account for the group for the year then ended appended to this report have been prepared in US dollars since the directors believe this most fairly represents the results of the group's activities which are substantially denominated in that currency. The profit on ordinary activities after taxation for the year was US \$3,082,000 (1987 - US \$1,862,000).

No dividend of was paid during the year (1987 - US \$20,280,000).

DIRECTORS AND THEIR INTERESTS

The directors serving during the year were:

JG Farrell (Canadian) Appointed 7 May 1988, Chairman
BG Jeffrey Managing Director
AD King (Canadian) Resigned 8 April 1988
WT Brock (Canadian)
HW Rising (Canadian) Appointed 7 May 1988

None of the directors had any interest in the share capital of the company or of any other group company which is incorporated in the United Kingdom.

AUDITORS

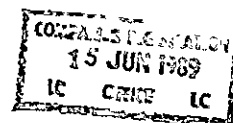
Price Waterhouse have signified their willingness to continue in office and a resolution proposing their reappointment will be submitted to the Annual General Meeting.

By Order of the Board


Mrs SB Burns
SECRETARY

15 June 1989

Triton Court
14-18 Finsbury Square
London EC2A 2DB



Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF TORONTO DOMINION HOLDINGS (UK) LIMITED

We have audited the financial statements on pages 3 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group at 31 October 1988 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

15 June 1989

TORONTO DOMINION HOLDINGS (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 1988

	<u>Notes</u>	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Turnover		26,500	29,211
Interest payable and other charges	2	(23,059)	(26,003)
Gross profit		3,441	3,208
Administrative expenses		(615)	(3,970)
Interest receivable		772	-
Other operating income/(expenditure)		<u>1,238</u>	<u>448</u>
Profit/(loss) on ordinary activities before taxation	3	4,836	(314)
Tax on profit on ordinary activities	4	(1,754)	<u>2,176</u>
Profit on ordinary activities after taxation	5	3,082	1,862
Transfer to share capital of applicable translation difference	12	(332)	(2,264)
Transfer to capital reserve on consolidation of applicable translation difference	13	(4)	(27)
Dividend paid		-	(20,280)
Retained earnings brought forward		<u>4,945</u>	<u>25,654</u>
Retained earnings carried forward	14	<u>7,691</u>	<u>4,945</u>

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 1988

DIRECTORS

Approved by the Board on 15 June 1989

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THURTELL INVESTMENT HOLDINGS (UK) LIMITED

COMPANY BALANCE SHEET AT 31 OCTOBER 1988

		Notes	1988 US \$000	1987 US \$000		Notes	1988 US \$000	1987 US \$000
ASSETS								
<u>FIXED ASSETS</u>								
Investments in subsidiaries	8		12,685	12,353				
			<u>12,685</u>	<u>12,353</u>			<u>12,685</u>	<u>12,353</u>
<u>CAPITAL AND RESERVES</u>								
Called up share capital	12							
							<u>12,685</u>	<u>12,353</u>

Approved by the Board on 15 June 1989

DIRECTORS

B. J. Jeffery


TORONTO DOMINION HOLDINGS (UK) LIMITED

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 1988

	Note	1988 US \$000	1987 US \$000
SOURCE OF FUNDS			
Profit/(loss) on ordinary activities before taxation		4,836	(314)
Add items not involving the movement funds:			
Depreciation		-	60
Amortisation of premium on investments purchased		(54)	(631)
Exchange movements		(1,808)	9
FUNDS GENERATED/(ABSORBED) FROM OPERATIONS		2,974	(876)
FUNDS FROM OTHER SOURCES			
Sale of investments		16,051	10,480
Sale of fixed assets		278	-
		19,303	9,604
APPLICATION OF FUNDS			
Taxation paid		4,297	3,204
Dividend paid		-	20,280
Purchase of fixed assets		-	151
Purchase of investments		9,303	6,596
Increase/(decrease) in working capital	19	5,703	(20,627)
		19,303	9,604

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988

1 ACCOUNTING POLICIES

(i) Accounting convention

The consolidated financial statements, incorporating the accounts of the parent company and its subsidiaries to 31 October 1988, have been prepared under the historical cost convention as modified by the accounting policy for investments below. The statements have been prepared in US dollars since the directors consider this most fairly reflects the results of the group's activities which are substantially denominated in that currency.

(ii) Translation into US dollars

For reporting purposes transactions, assets and liabilities (including share capital) denominated in currencies other than US dollars are translated into US dollars at spot rates of exchange prevailing at the balance sheet date. Translation and other foreign exchange gains or losses are dealt with through the profit and loss account as other operating income.

The exchange rate prevailing at the year end was £1 = US \$1.7685 (1987 £1 = US \$1.7220).

(iii) Turnover

Turnover represents interest and fees receivable plus income from securities activities.

(iv) Deferred taxation

Provision is made for taxation on timing differences between profits stated in the accounts and profits computed for taxation purposes at the rate of corporation tax applicable at the year-end only if there is a reasonable probability that such taxation will become payable in the foreseeable future.

(v) Investments

With the exception of investments held as trading securities, investments are stated at cost as adjusted for premiums and discounts on dated investments which are amortised from purchase to maturity on a straight-line basis. Investments held as trading securities are stated at market value as at the balance sheet date.

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

1 ACCOUNTING POLICIES (Continued)

(vi) Pension fund contributions

Pension fund contributions, which are determined by reference to actuarial advice, are charged to profit and loss as incurred.

2 INTEREST PAYABLE AND OTHER CHARGES

	<u>1988</u> <u>US\$000</u>	<u>1987</u> <u>US\$000</u>
Interest payable on intra-group deposits repayable within five years	22,226	26,045
Interest on other deposits repayable within five years and overdraft interest	87	152
Addition to the bad or doubtful debt provision	-	1,000
Realisation of loans previously written off	-	(1,791)
Other intergroup charges	<u>746</u>	<u>597</u>
	<u>23,059</u>	<u>26,003</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging/ (crediting):

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Directors' emoluments	60	66
Auditors' remuneration	21	35
Wages and salaries	314	639
Social security costs	28	63
Other pension costs (see note 19)	-	-
Depreciation	-	60

Excluding pension contributions the directors' emoluments expressed in pounds sterling comprise:

	<u>1988</u>	<u>1987</u>
The Chairman	£13,096	£111
The highest paid director	£34,170	£32,381

None of the other directors received any emoluments in 1987 or 1988. The average number of employees during the year was 2 (1987 - 28).

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

4 TAX ON PROFITS ON ORDINARY ACTIVITIES

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
<u>Taxation on the profit for the year</u>		
Current year:		
UK Corporation tax at 35% (1987: 35%)	1,402	(780)
Relief for overseas taxation	-	(153)
Deferred tax	<u>976</u>	<u>(331)</u>
	2,378	(1,264)
Overseas taxation	<u>-</u>	<u>153</u>
	2,378	(1,111)
Prior year:		
UK Corporation tax	<u>(624)</u>	<u>(1,065)</u>
	<u>1,754</u>	<u>(2,176)</u>

The relief for overseas taxation arose principally as a result of withholding tax.

5 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

The amount dealt with in the accounts of the holding company was nil (1987: a profit of US \$22,544,000).

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

6 FIXED ASSETS - TANGIBLE ASSETS

	<u>Plant and equipment</u> <u>US \$000</u>	<u>Leasehold improvements</u> <u>US \$000</u>	<u>Fixtures and fittings</u> <u>US \$000</u>	<u>Total</u> <u>US \$000</u>
COST				
At 31 October 1987	326	19	83	428
Transfer	(326)	(19)	(83)	(428)
At 31 October 1988	-	-	-	-
DEPRECIATION				
At 31 October 1987	102	12	36	150
Transfer	(102)	(12)	(36)	(150)
At 31 October 1988	-	-	-	-
NET BOOK AMOUNT				
At 31 October 1988	-	-	-	-
At 31 October 1987	224	7	47	278

Fixed assets were transferred to The Toronto Dominion Bank - London Branch in November 1987 at net book value as at 31 October 1987.

7 FIXED ASSETS - INVESTMENTS

	<u>Nominal amount</u>	<u>Premium</u>	<u>Discount</u>	<u>Book amount</u>
At 31 October 1987	37,005	3,154	(424)	39,735
Exchange adjustments	1,712	-	(19)	1,693
Additions	9,303	-	-	9,303
Disposals/redemption	(13,000)	(3,051)	-	(16,051)
Amortisation of premium/ discount	-	(21)	75	54
At 31 October 1988	35,020	82	(368)	34,734

Investments included within fixed assets are stated at their nominal amount together with any premium or discount on acquisition.

The premium/discount is written off to profit and loss in equal monthly instalments up to the maturity date of the instrument.

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

8 FIXED ASSETS - INVESTMENT IN SUBSIDIARIES

	<u>1988</u>	<u>1987</u>
	<u>US \$000</u>	<u>US \$000</u>
Shares at cost	12,685	12,353

The movement during the year comprises translation differences.

The company owns the whole of the issued ordinary share capital of two UK registered companies:

Toronto Dominion International Limited
Toronto Dominion (United Kingdom) Limited.

9 DEBTORS

	<u>1988</u>	<u>Group</u> <u>1987</u>
	<u>US \$000</u>	<u>US \$000</u>
Debtors falling due within one year		
Advances to customers	75,677	17,319
Amounts owed by group companies	31,678	39,312
Other debtors	-	62
Prepayments and accrued income	5,768	5,243
Tax certificate	529	515
Tax recoverable	<u>6,899</u>	<u>3,334</u>
	<u>120,551</u>	<u>65,785</u>
Debtors falling due after more than one year		
Advances to customers	179,781	157,824
Amounts owed by group companies	-	65,719
Deferred tax	<u>-</u>	<u>907</u>
	<u>179,781</u>	<u>224,450</u>
Total debtors	<u>300,332</u>	<u>290,235</u>

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

10 LOAN COMMITMENTS

At 31 October 1988 the group had contracted to make additional advances to customers of US \$1,145,000 (1987: US \$438,544,000).

11 CURRENT ASSETS - INVESTMENTS

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Trading securities - listed in UK	-	1,485
- listed elsewhere	-	4,958
- not listed	-	-
	<u>-</u>	<u>6,443</u>

12 CALLED UP SHARE CAPITAL

The company's authorised share capital is represented by 10,000,000 Ordinary £1 shares. Of these shares 7,173,002 have been allotted and fully paid.

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Share capital at opening exchange rate	12,353	10,089
Translation difference	<u>332</u>	<u>2,264</u>
Share capital at closing exchange rate	<u>12,685</u>	<u>12,353</u>

13 CAPITAL RESERVE ON CONSOLIDATION

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Capital reserve on consolidation at opening exchange rate	151	124
Translation difference	<u>4</u>	<u>27</u>
Capital reserve on consolidation at closing exchange rate	<u>155</u>	<u>151</u>

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

14 PROFIT AND LOSS ACCOUNT

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Consolidated retained earnings comprise:		
Retained by the holding company	-	-
Retained by subsidiaries	<u>7,691</u>	<u>4,945</u>
	<u>7,691</u>	<u>4,945</u>

15 OTHER RESERVES

During the year ended 31 October 1985 Toronto Dominion International Limited, a subsidiary of the company, received from another group company a capital contribution of US \$6 million, which has been credited direct to other reserves in the consolidated accounts.

16 CREDITORS

	<u>1988</u> <u>US \$000</u>	<u>Group</u> <u>1987</u> <u>US \$000</u>
Creditors falling due within one year		
Bank loans and overdrafts	-	308
Amounts owing to group companies	284,019	279,093
Other creditors including social security	224	3,732
Accruals and deferred income	<u>5</u>	<u>173</u>
	284,248	283,306
Creditors falling due after more than one year		
Amounts owing to group companies	<u>24,420</u>	<u>34,196</u>
Total creditors	<u>308,668</u>	<u>317,502</u>

TORONTO DOMINION HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1988 (Continued)

17 CONTINGENT LIABILITIES AND COMMITMENTS

A subsidiary of the company has, in the normal course of business, underwritten certain Euronote issuance facilities.

18 PENSION COMMITMENTS

The Toronto-Dominion Bank operates a pension scheme which covers the majority of its United Kingdom employees. This scheme is financed through a trustee administered fund and investments are held in a managed fund administered by an insurance company. Contributions made to the fund in respect of the company's employees are based upon actuarial advice following the most recent valuation of the fund.

19 SOURCE AND APPLICATION OF FUNDS

	<u>1988</u> <u>US \$000</u>	<u>1987</u> <u>US \$000</u>
Increase/(decrease) in working capital:		
Deposits with group companies	(73,353)	32,972
Deposits by group companies	4,850	84,721
Interest and other receivables	463	(28,656)
Interest and other payables	3,676	(186)
Loans and investments	73,87	(111,185)
Tax certificate	14	94
Bank balances	<u>(3,819)</u>	<u>1,613</u>
	<u>5,703</u>	<u>(20,627)</u>

20 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is The Toronto-Dominion Bank which is incorporated in Canada.