

TD Waterhouse Investor Services (Europe) Limited

(formerly Green Line Investor Services
(Europe) Limited)

Report and Accounts

31 October 1999



TD Waterhouse Investor Services (Europe) Limited

Registered No. 2101863

DIRECTORS

B Masrani
J White
J Verkruijsse

SECRETARY

J White

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

National Westminster Bank plc
55 King Street
Manchester M60 2DB

REGISTERED OFFICE

Triton Court
14/18 Finsbury Square
London EC2A 1DB

DIRECTORS' REPORT

The directors present their report and accounts for the period ended 31 October 1999.

RESULTS AND DIVIDENDS

The company made a loss for the year of £2,749,561 (1998 - profit £544,764). An ordinary dividend of £1,025,000 (1998 - £nil) has been paid in the year.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity comprises of discount brokerage and acting as customers' dealer for the purpose of securities trading.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

B Masrani (appointed 1 June 1999)
J White (appointed 17 September 1998)
J Verkruysse (appointed 17 September 1998)
B S Sheppard (resigned 1 June 1999)
J A Wood (resigned 17 September 1998)
N C Randall (resigned 17 September 1998)
K J Pennill (resigned 17 September 1998)

None of the directors held any disclosable interest in the shares of the company.

YEAR 2000

The company has continued to function normally and without disruption to underlying business processes in the period since 31 December 1999.

Management continue to monitor the position closely as, given the nature of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems remain.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

31 October 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS**to the members of TD Waterhouse Investor Services (Europe) Limited**

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

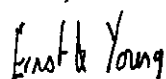
Basis of opinion

We conducted our audit in accordance with Auditing issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

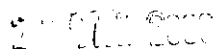
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 October 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London



TD Waterhouse Investor Services (Europe) Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 October 1999

		<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
	<i>Notes</i>		
TURNOVER		7,085	3,470
Administrative expenses		(9,788)	(2,864)
OPERATING (LOSS)/PROFIT	2	(2,703)	606
Interest receivable		754	190
Interest payable	4	(514)	(2)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,463)	794
Taxation	5	739	(244)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,724)	550
Dividends (including non-equity interests)	6	(1,025)	(5)
RETAINED (LOSS)/PROFIT FOR THE PERIOD		(2,749)	545

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

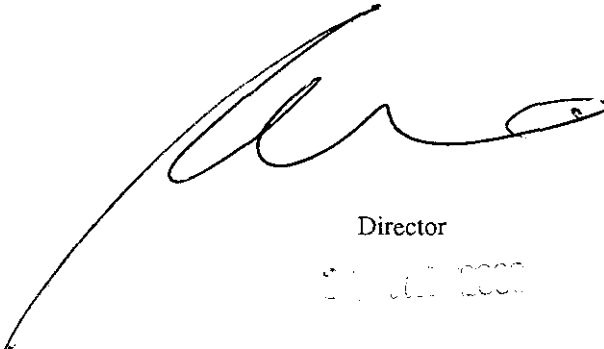
The company has had no recognised gains or losses during the period other than the loss for the financial year.

TD Waterhouse Investor Services (Europe) Limited

BALANCE SHEET

at 31 October 1999

	Note	31 October 1999 £000	31 July 1998 £000
FIXED ASSETS			
Tangible assets	7	5,015	94
CURRENT ASSETS			
Debtors	8	53,738	24,213
Cash at bank and in hand		14,491	8,511
		<u>68,229</u>	<u>32,724</u>
CREDITORS: amounts falling due within one year	9	(66,072)	(31,590)
		<u>2,157</u>	<u>1,134</u>
NET CURRENT ASSETS			
		<u>7,172</u>	<u>1,228</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
Loans	10	(2,800)	—
		<u>4,372</u>	<u>1,228</u>
NET ASSETS			
		<u>4,372</u>	<u>1,228</u>
CAPITAL AND RESERVES			
Called up share capital	12	5,943	50
Capital redemption reserve	14	100	100
Profit and loss account	13	(1,671)	1,078
		<u>4,372</u>	<u>1,228</u>
TOTAL SHAREHOLDERS' FUNDS			
	11	<u>4,372</u>	<u>1,228</u>


Director
21 July 2000



NOTES TO THE ACCOUNTS

at 31 October 1999

1. ACCOUNTING POLICIES

Accounting convention

These financial statements have been prepared in accordance with the historical cost convention.

Depreciation

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value over the expected useful lives at 20% per annum.

Leasehold improvements are depreciated on a straight line basis over a period of seven years.

Capitalised development costs

Depreciation is provided on capitalised development costs relating to the on-line trading system, at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Software and consultancy costs	-	over 2 years
Hardware	-	over 3 years

Pensions

The company operates a defined contribution pension scheme which is externally funded and covers all eligible staff employees. The scheme funds are held separately from those of the company in an independently administered fund. Contributions are charged against profits in the year in which contributions are made.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Provision is made for taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes at the rate of corporation tax applicable at the date the timing differences are expected to crystallise only if there is a reasonable probability that such taxation will become payable in the foreseeable future.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Related party transactions

The company has not produced related party transaction details in accordance with FRS 8 since it is a subsidiary of a group where greater than 90% of the voting rights are controlled within the group and the group's parent financial statements are publicly available.

Cash flow statement

The company has not produced a cash flow statement, in accordance with Financial Reporting Standard 1 (revised). The company is claiming exemption as the company's parent company financial statements are publicly available.

Group accounts

The company has not produced group accounts as it is a wholly owned subsidiary undertaking and its immediate parent produces group accounts.

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

2. OPERATING (LOSS)/PROFIT

	<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
Operating (loss)/profit is stated after charging:		
Staff costs (note 3)	2,884	1,446
Auditors' remuneration - audit services	54	11
Operating leases		
- Hire of plant and machinery	17	4
Depreciation of tangible fixed assets	337	66
	<u>2,884</u>	<u>1,446</u>

3. DIRECTORS AND EMPLOYEES

	<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
Staff costs including directors:		
Wages and salaries	2,482	1,215
Social security costs	254	80
Pension costs	148	151
	<u>2,884</u>	<u>1,446</u>

	<i>15 month period ended 31 October 1999 No.</i>	<i>Year ended 31 July 1998 No.</i>
Average number employed including executive directors	98	50

	<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
Directors		
Directors' emoluments including pension contributions	315	425
Emoluments of the highest paid director (including pension contributions)	248	134

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

4. INTEREST PAYABLE

	<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
Clients' current accounts	453	—
Other	—	2
Group interest payable	61	—
	<u>514</u>	<u>2</u>

5. TAXATION

	<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
Corporation tax on profit on ordinary activities at 30.53%	(285)	285
Corporation tax under/(over) provided in previous years	(2)	1
Deferred tax credit (see below)	(452)	(42)
	<u>(739)</u>	<u>244</u>
Deferred tax credit	<u>£000</u>	
As at 1 August 1998	(42)	
Movement	(452)	
As at 31 October 1999	<u>(494)</u>	

6. DIVIDENDS

	<i>15 month period ended 31 October 1999 £000</i>	<i>Year ended 31 July 1998 £000</i>
Preference - paid (non-equity)	—	5
Ordinary	1,025	—

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

7. TANGIBLE FIXED ASSETS

	<i>Leasehold Improvements</i>	<i>Motor Vehicles</i>	<i>Fixtures fittings and office equipment</i>	<i>Computer equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:					
At 1 August 1998	–	21	57	281	359
Additions	920	–	90	4,248	5,258
At 31 October 1999	920	21	147	4,529	5,617
Depreciation:					
At 1 August 1998	–	13	49	203	265
Charge for the period	73	8	25	231	337
At 31 October 1999	73	21	74	434	602
Net book value:					
At 31 October 1999	847	–	73	4,095	5,015
At 1 August 1998	–	8	8	78	94

8. DEBTORS

	<i>31 October 1999 £000</i>	<i>31 July 1998 £000</i>
Amounts falling due within one year:		
Amounts due from counterparties	52,277	24,052
Other debtors	697	18
Deferred tax (note 5)	494	42
Prepayments and accrued income	270	101
	<u>53,738</u>	<u>24,213</u>

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

9. CREDITORS: amounts falling due within one year

	<i>31 October 1999 £000</i>	<i>31 July 1998 £000</i>
Amounts due to counterparties	61,296	30,366
Amounts owed to group undertakings	736	—
Corporation tax	—	287
Other taxation and social security	201	60
Other creditors	312	127
Accruals and deferred income	3,527	750
	<u>66,072</u>	<u>31,590</u>

10. LOANS

	<i>1999 £000</i>	<i>1998 £000</i>
Short term subordinated loan	<u>2,800</u>	<u>—</u>

This loans is repayable on 2 March 2004.

11. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>31 October 1999 £000</i>	<i>31 July 1998 £000</i>
(Loss)/profit for the financial year	(1,724)	550
Dividends	(1,025)	(5)
	<u>(2,749)</u>	<u>545</u>
Net addition to shareholders' funds		
Opening shareholders' funds	1,228	783
Redemption of preference shares	—	(100)
Additional share capital	5,893	—
	<u>4,372</u>	<u>1,228</u>
Closing shareholders' funds	<u>4,372</u>	<u>1,228</u>
Attributable to:		
Equity shareholders	<u>4,372</u>	<u>1,228</u>

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

12. CALLED UP SHARE CAPITAL

	<i>31 October</i>	<i>Authorised</i>	<i>Allotted, called up and fully paid up</i>	
	<i>1999</i>	<i>31 July</i>	<i>31 October</i>	<i>31 July</i>
	<i>£000</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each (equity)	1,000,000	1,000	5,943	50
Cumulative redeemable 10.5% preference shares of £1 each (Non equity)	500	500	—	—
	<u>1,000,500</u>	<u>1,500</u>	<u>5,943</u>	<u>50</u>

During the year, 5,892,982 ordinary shares of £1 each, with an aggregate nominal value of £5,892,982 were issued at par and were fully paid for in cash.

13. PROFIT AND LOSS ACCOUNT

	<i>£000</i>
At 1 August 1998	1,078
Retained loss for the period	(2,749)
At 31 October 1999	<u>(1,671)</u>

14. CAPITAL REDEMPTION RESERVE

	<i>£000</i>
At 1 August 1998 and 31 October 1999	<u>100</u>

15. SUBSIDIARY COMPANIES

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Sharemarket Limited	Ordinary shares	100%	Dormant
TD Waterhouse Nominees (Europe) Limited (formerly Green Line Nominees Limited)	Ordinary shares	100%	Dormant
Share Exchange Limited	Ordinary shares	100%	Dormant

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

16. OTHER FINANCIAL COMMITMENTS

At 31 October 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	-	-	1	3
In one to two years	19	-	28	-
In two to five years	125	-	16	1
In over five years	202	53	-	5
	<u>346</u>	<u>53</u>	<u>45</u>	<u>9</u>

17. PENSION COMMITMENTS

The company operates a defined contribution pension scheme which is externally funded and covers all eligible staff employees. The assets of the scheme are held separately from those of the company in an independent administered fund. There were no unpaid contributions outstanding at the year end (1998 - £nil).

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is TD Waterhouse Investor Services (UK) Limited, a company incorporated in England.

The company's ultimate parent company and controlling party is The Toronto-Dominion Bank, which is incorporated in Canada. Copies of the group financial statements may be obtained from:

Finance and Control Division
The Toronto-Dominion Bank
PO Box 1
Toronto Dominion Centre
King St. W and Bay St
Toronto
Ontario M5K 1A2
Canada

19. RELATED PARTY TRANSACTIONS

Related party transactions with group companies are not disclosed as consolidated financial statements of the group are publicly available.