

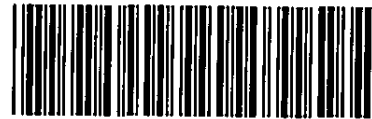
Registered number 2101863

TD WATERHOUSE INVESTOR SERVICES (EUROPE) LIMITED

Report and Accounts

31 October 2010

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COMPANIES HOUSE

TD Waterhouse Investor Services (Europe) Limited

Registered No 2101863

DIRECTORS

P C Whitehead Appointed 31 August 2010
P A Ireland
C J Bradley
D P Hepworth
J M Robinson
D J Sollitt

SECRETARY

J Lader

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BANKERS

National Westminster Bank plc
55 King Street
Manchester
M60 2DB

REGISTERED OFFICE

Exchange Court
Duncombe Street
Leeds
LS1 4AX

TD Waterhouse Investor Services (Europe) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 2010

RESULTS AND DIVIDENDS

The company made a profit for the year of £5,028,000 (2009 profit £6,394,000) The directors do not recommend the payment of a dividend for the year (2009, £Nil)

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of TD Waterhouse Investor Services (UK) Ltd

The company's principal activity is discount brokerage in the UK There have not been any significant changes to the company's principal activities in the year under review The directors are not aware, at the date of this report, of any likely changes in the company's activities in the next year

As shown in the company's profit and loss account on page 9, the company's revenue has increased by 12% over the prior year although profit after tax has decreased from £6,394,000 to £5,028,000

On the 6th January 2010, the company entered into an agreement to acquire the UK execution only stock broking business from E*TRADE UK (Holdings) Limited, with migration of the client base occurring over the weekend of 17th and 18th April 2010 The purchase price was £5.15 million

The balance sheet on page 10 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, improved on the prior year

Key Performance Indicators

	2010	2009
Revenue growth	12.0%	21.8%
Profit before tax growth	(1.1)%	14.1%
Income diversity		
Commission as % total income	64.6%	69.5%
Net interest as % total income	7.5%	10.8%
Other income as % total income	27.9%	14.2%
Treasury return	1.34%	3.13%

The treasury return is managed by careful and prudent management of cash balances, which is impacted by underlying market rates

Pillar III

The company adopted Basel II on 1 January 2008 The Basel II Framework consists of three pillars Pillar I prescribes the risk-focused regulatory capital requirements, Pillar II deals with supervisory review, and Pillar III with market disclosure as a consequence The company has obtained a waiver from the requirements to disclose Pillar III requirements as directed by BIPRU 11.2.3 This is due to appropriate disclosures being made by the ultimate parent company (note 20 details how such financial disclosures may be obtained) The company is however still required to make declarations of its exposure to market risk under BIPRU 11.5.12 These disclosures are set out below

Market risk is defined as the potential reduction in net income, or decrease in value of the company's balance sheet, arising from adverse market movements Specific types of market risk are considered below

Under BIPRU 11.5.12 companies are required to disclose their capital resource requirement in respect of trading book and non trading book activities The company, however, does not have a trading book and as such no disclosures have been made in respect of market risk in respect of trading book activities

TD Waterhouse Investor Services (Europe) Limited

DIRECTORS' REPORT

Interest rate risk

Whilst the company is exposed to interest rate risk this is managed through careful management of its cash portfolio and interest payable on its product range. No interest has been paid on any products since 1 February 2009 following a steep decline in the Bank of England base rate. The company has a diversified revenue stream and is not solely reliant on net interest as an income source. Management considers, therefore, that interest rate risk is adequately managed. In accordance with FSA regulations, the company stress tests interest rate risk on a quarterly basis against a 200 basis point (2%) parallel fall in interest rates. In the current low interest rate environment this means assuming no interest income.

Foreign exchange risk

The company deals with stock in a number of currencies and therefore has a small exposure to movements in the currency exchange rates. The treasury function manages this risk through the appropriate purchase and sale of currencies to match clients' trading requirements. Foreign exchange risk is calculated in accordance with BIPRU 7.5.1R and at 31 October 2010 the calculated position risk requirement was £154,000.

Commodity Risk

The company has no commodity risk.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing commission to its key competitors. The company manages this risk by remaining competitive through offering an excellent standard of service to its customers and a diverse range of products.

Credit risk remains a principal risk area for the company due to trading activity by clients. This is managed through offering individual trading limits which incorporate concentration limits on certain stocks and sectors.

The company has limited exposure to liquidity risk as it participates in a group wide treasury and liquidity policy which governs the maturity profile of deposits and ensures that support would be provided in the event of a liquidity crisis.

FUTURE DEVELOPMENTS

The company will continue to invest in technology and look for strategic business opportunities to enhance growth during the forthcoming year.

DIRECTORS

The directors of the company during the year and up to the date of signing this report and accounts were as follows:

A M Rigby	Resigned 31 August 2010
P C Whitehead	Appointed 31 August 2010
P A Ireland	
C J Bradley	
D P Hepworth	
T J Booth	Resigned 19 January 2011
J M Robinson	
D J Sollitt	
R K Swamy	Appointed 26 January 2010 & Resigned 25 January 2011

TD Waterhouse Investor Services (Europe) Limited

DIRECTORS' REPORT

SUPPLIERS STATEMENT

The company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the company to pay suppliers within 30 days following receipt of a correctly prepared invoice submitted in accordance with the terms of the contract. At 31 October 2010, the company had an average of 25 days (2009: 40 days) purchases outstanding in trade creditors.

DISABLED EMPLOYEES

The company gives full consideration to application for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

Employees are provided with information about the company by means of the company's intranet site. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the company through bonuses, which are related to the company's results.

TD Waterhouse Investor Services (Europe) Limited

DIRECTORS' REPORT

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

On behalf of the Board

Director



Caroline Bradley

Date

26/1/11

TD Waterhouse Investor Services (Europe) Limited

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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 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 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.

TD Waterhouse Investor Services (Europe) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TD WATERHOUSE INVESTOR SERVICES (EUROPE) LIMITED

We have audited the financial statements of TD Waterhouse Investor Services (Europe) Limited for the year ended 31st October 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 31st October 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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

TD Waterhouse Investor Services (Europe) Limited

- 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

Ernst & Young LLP

Andy Bates,

For and on behalf of Ernst & Young LLP, statutory Auditor

London

Date 30-01-11

TD Waterhouse Investor Services (Europe) Limited

PROFIT AND LOSS ACCOUNT & STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 31 October 2010

PROFIT AND LOSS ACCOUNT	<i>Notes</i>	<i>Year ended 31 Oct 2010 £000</i>	<i>Year ended 31 Oct 2009 £000</i>
TURNOVER	2	48,383	43,214
Administrative expenses		(46,954)	(43,039)
OPERATING PROFIT BEFORE INTEREST	3	1,429	175
Interest receivable		3,989	5,493
Interest payable	5	(46)	(233)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,372	5,435
Corporation taxation	6	(344)	959
RETAINED PROFIT FOR THE YEAR	15	5,028	6,394
All operations are continuing			

STATEMENT OF RECOGNISED GAINS AND LOSSES

		<i>Year ended 31 Oct 2010 £000</i>	<i>Year ended 31 Oct 2009 £000</i>
Profit for the financial year	15	5,028	6,394
Gain on trade investment		3,947	2,917
Deferred tax liability		(1,066)	-
Total recognised gains and losses relating to the year		7,909	9,311
Total gains and losses recognised since last annual report		7,909	9,311

TD Waterhouse Investor Services (Europe) Limited

BALANCE SHEET

at 31 October 2010

	<i>Note</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
FIXED ASSETS			
Intangible assets	7	10,461	6,443
Investment in subsidiary	9	12,025	10,525
Tangible assets	8	8,647	6,186
Other Investments	9	4,704	3,968
		<u>35,837</u>	<u>27,122</u>
CURRENT ASSETS			
Debtors	10	297,774	291,055
Cash at bank and in hand	11	25,608	26,733
		<u>323,382</u>	<u>317,788</u>
CURRENT LIABILITIES			
Creditors falling due within one year	12	(300,066)	(295,749)
		<u>23,316</u>	<u>22,039</u>
NET CURRENT ASSETS			
		<u>59,153</u>	<u>49,161</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>59,153</u>	<u>49,161</u>
CAPITAL AND RESERVES			
Called up share capital	14	169,996	164,996
Revaluation reserve	15	2,881	2,917
Profit and loss account	15	(113,724)	(118,752)
TOTAL SHAREHOLDERS' FUNDS		<u>59,153</u>	<u>49,161</u>

The notes 1 to 19 form an integral part of the financial statements

Approved by the Board

Director



Date

26/1/11

Caroline Bradley

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 2010

1. ACCOUNTING POLICIES

Accounting convention

These accounts have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain investments, and applicable accounting standards generally accepted in the United Kingdom and on a going concern basis

Revenue recognition

Revenue represents fees and commissions receivable for execution only stock broking activities and is recognised on an accruals basis

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows

Leasehold improvements	-	over 7 years
Fixtures fittings and office equipment	-	over 5 years
Computer software	-	over 3 years
Computer equipment	-	over 3 years

Development costs

The company capitalises development costs incurred in improving the brokerage platform. It is assumed that these enhancements provide benefit over a period of time and as such these costs are amortised over a period of three years

Intangible assets

The costs associated with the acquisition of a new client base are capitalised as intangible fixed assets. These costs are fully amortised, in equal annual instalments, over ten years. The Directors of the company anticipate that the client base acquired will remain active for at least this length of time

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

Current taxation

Current tax is recognised on the basis of the prevailing tax rate applied to a forecast profit chargeable to corporation tax. The profit chargeable to corporation tax may differ from the Profit before Tax figure as shown in the Profit and Loss account due to timing differences and differences in taxation and accounting treatment

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets,

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 2010

only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group relief

Tax credits are recognised in respect of taxable losses where sufficient taxable profits are available for offset within other group undertakings in the same tax group.

Investments

Fixed asset investments are stated at fair value. Investments in subsidiaries are stated at cost less provision for any impairment in value. Impairment reviews are carried out annually and any indicators of impairment would be analysed and written off through the profit and loss account if appropriate.

Client Money

The Company holds money on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority. This client money is not shown on the face of the Balance Sheet as the company is not beneficially entitled thereto. This balance is netted against client creditors in the Balance Sheet. Disclosure of the amounts held is made in note 12.

Bad debt provision

Specific provisions are made when it is considered that recovery is doubtful. The specific provisions are netted against trade debtors. Provisions made during the period, less amounts released and recoveries of amounts written off in previous years, are taken to the profit and loss account.

Related party transactions

In accordance with Financial Reporting Standard 8, the company has not presented details of related party transactions with fellow group undertakings, as the company 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 a cash flow statement is included within the financial statements of its ultimate parent undertaking, for which accounts are publicly available.

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 2010

Group accounts

The company has not produced group accounts as it is a wholly owned subsidiary undertaking and its immediate parent undertaking produces group accounts. Accordingly these accounts present information about the company as an individual undertaking and not about its group.

2. TURNOVER

Turnover represents commissions and fees for execution only discount brokerage, stated net of VAT, and is derived from the continuing operations of the business within the UK. The directors consider that the company operates in a single business and geographical segment.

3. OPERATING PROFIT BEFORE INTEREST

The operating profit before interest is stated after charging

	<i>Year ended 31 October 2010 £000</i>	<i>Year ended 31 October 2009 £000</i>
Auditors' remuneration - audit services (inc. expenses)	166	166
Operating leases		
- Land and buildings	1,665	1,382
- Hire of plant and machinery	11	11
Depreciation of tangible fixed assets	3,655	2,783
Amortisation of intangible fixed assets	1,140	592

4. DIRECTORS' AND EMPLOYEES' COSTS

	<i>Year ended 31 October 2010 £000</i>	<i>Year ended 31 October 2009 £000</i>
Salaries	16,356	14,485
Social security costs	1,862	1,526
Other pension costs	1,330	1,105
	<u>19,548</u>	<u>17,116</u>

Average number employed including executive directors

	<i>2010 No</i>	<i>2009 No</i>
	617	522

	<i>Year ended 31 October 2010 £000</i>	<i>Year ended 31 October 2009 £000</i>
Directors' emoluments excluding pension contributions	2,252	1,712
Pension contributions	142	129
	<u>618</u>	<u>426</u>
Emoluments of the highest paid director	29	32
Pension contributions of the highest paid director		

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS at 31 October 2010

5. INTEREST PAYABLE

	<i>Year ended 31 October 2010 £000</i>	<i>Year ended 31 October 2009 £000</i>
Interest payable to customers	1	228
Interest payable to banks and other institutions	45	5
	<u>46</u>	<u>233</u>

6. TAXATION

a) Tax on profit on ordinary activities

	<i>Year ended 31 October 2010 £000</i>	<i>Year ended 31 October 2009 £000</i>
Current Year Corporation Tax (Credit) / Charge	(209)	209
Deferred Tax (note 13)	553	(1,167)
Corporation Tax Charge/(Credit)	<u>344</u>	<u>(959)</u>

b) Factors affecting current tax credit for the year

The current tax credit differs from the expected tax credit computed by applying the standard UK Corporation Tax rate of 28% (2009 28%) as follows

Net profit before taxation	5,372	5,435
Corporation tax at 28% (2009 28%)	1,504	1,522
Effects of		
Short term timing differences	(28)	(151)
Depreciation for the period in deficit of capital allowances	27	(264)
Non-deductible items	5	238
Tax on dividends current year	(180)	204
Capital losses	(593)	-
Group relief for capital losses	(212)	-
Trading losses	(523)	(1,345)
	<u>-</u>	<u>204</u>
Prior year adjustment	(209)	5
Current Year Corporation Tax (Credit) / Charge	<u>(209)</u>	<u>209</u>

Non-deductible items include capital gains for this year. These capital gains have been fully offset against capital losses available in the company and the group.

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS at 31 October 2010

7. INTANGIBLE ASSETS

	£000
Cost	
At 1 November 2009	8,393
Additions	5,158
At 31 October 2010	13,551
Amortisation	
At 1 November 2009	1,950
Charge for the year	1,140
At 31 October 2010	3,090
Net value	
At 31 October 2009	6,443
At 31 October 2010	10,461

8. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i> £000	<i>Fixtures fittings and office equipment</i> £000	<i>Computer software and equipment</i> £000	<i>Total</i> £000
Cost				
At 1 November 2009	247	161	17,814	18,222
Additions	688	85	5,344	6,117
Disposals	-	-	-	-
At 31 October 2010	935	246	23,158	24,339
Depreciation				
At 1 November 2009	119	147	11,770	12,036
Charge for the year	56	9	3,591	3,656
Disposals	-	-	-	-
At 31 October 2010	175	156	15,361	15,692
Net book value				
At 31 October 2010	760	90	7,797	8,647
At 31 October 2009	128	14	6,044	6,186

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 2010

9. INVESTMENTS

	2010	2009
	£000	£000
Investment in subsidiary	12,025	10,525
Investment in Group companies	12,025	10,525
Other Investments		
Cost or valuation at start of the year	3,968	1,051
Historic cost of LCH Clearnet	(294)	-
Sale of LCH Clearnet	(2,917)	2,917
Revaluation of Euroclear PLC	3,947	-
	4,704	3,968

The investment in LCH Clearnet was in the year subject to a voluntary redemption of €10 per share, the profit of which has been reflected within the profit and loss account

The investment in Euroclear PLC was re-valued in the year, this is shown as an increase in equity. The valuation was arrived at by discounting the estimated future profitability of Euroclear PLC, and modelling the impact that these profits would have on the valuation of the investment. The discount rate used was consistent with investment appraisal methodologies used within the wider group and the model uses moderate assumptions in terms of future growth potential.

Financial instruments are not considered to represent a significant risk to the entity's financial position or performance. Euroclear PLC represents the only investment held by the entity and it is not held for trading purposes, nor is it subject to credit or interest rate risk.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business	Share capital and reserves £'000
TD Waterhouse Properties (UK) Limited	Ordinary shares	100%	Dormant	nil
TD Waterhouse Nominees (Europe) Limited	Ordinary shares	100%	Dormant	nil
Dealwise Limited	Ordinary shares	100%	Dormant	54
DLJ Direct Limited	Ordinary shares	100%	Dormant	nil
Wellington Street Nominees Limited ¹	Ordinary shares	100%	Dormant	nil
TD Waterhouse Corporate Services (Securities) Limited	Ordinary shares	100%	Stock broker	(1,487)
TD Waterhouse Corporate Services (Holdings) Limited	Ordinary shares	100%	Stock broker	11,988
Corporate Services (TD Waterhouse) Nominees Limited	Ordinary shares	100%	Dormant	1
TDWCS LLP	Ordinary shares	100%	Stock broker	6,345
TD Waterhouse Corporate Services (Financial) Limited ²	Ordinary shares	100%	FX Trading	205
SecondCo Limited	Ordinary shares	100%	Dormant	12

¹ 100% owned by Dealwise Limited

² Shares held through TDWCS LLP

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS at 31 October 2010

10. DEBTORS

	2010 £000	2009 £000
Amounts falling due within one year		
Amounts due from counterparties and clients	291,092	276,999
Other debtors	875	5,987
Prepayments and accrued income	3,233	3,877
Amount due from group undertaking	553	553
Deferred Tax – see note 13	2,021	3,639
	<u>297,774</u>	<u>291,055</u>

Amounts due from counterparties and clients include £35,830,000 due from group undertakings, of which £19,021,000 relates to trades pending settlement (2009 £20,624,000)

11. CASH AT BANK AND IN HAND

	2010 £000	2009 £000
Company balances	25,608	26,733
	<u>25,608</u>	<u>26,733</u>

Client settlement balances are segregated from the company's cash balances in accordance with the requirements of the Financial Services Authority

As at 31 October 2010 the firm held bank deposits totalling £305,841,000 (2009 £231,810,000) on behalf of clients that are excluded from the balance sheet

12. CREDITORS

	2010 £000	2009 £000
Amounts falling due within one year		
Amounts due to counterparties and clients	594,414	512,039
Less funds held on behalf of clients	(305,842)	(231,810)
Amounts owed to group undertakings	2,745	2,955
Other taxation and social security	-	1,328
Other creditors	1,608	2,489
Accruals and deferred income	7,141	8,748
	<u>300,066</u>	<u>295,749</u>

Amounts due to counterparties and clients include £9,573,000 relating to trades pending settlement (2009 £12,253,000)

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 2010

13. DEFERRED TAX

The deferred tax asset consists of the following amounts

	2010 £000	2009 £000
Deferred Tax included in the balance sheet is as follows		
Tax losses available for offset in future periods	(1,574)	(1,167)
Accelerated capital allowances	(1,513)	(2,472)
Revaluation of equity holding	1,066	-
Total	<u>(2,021)</u>	<u>(3,639)</u>

The movement on the asset for the year was as follows

As 1 November 2009 / 2008	(3,639)	(2,472)
Tax charge/(credit) in profit and loss account	439	(1,167)
Amounts credited to statement of total recognised gains and losses	1,066	-
Reduction in deferred tax asset due to corporation tax rate change	113	-
Balance at 31 October 2010	<u>(2,021)</u>	<u>(3,639)</u>

Following the emergency budget on 22 June 2010, a reduction in the corporate income tax rate was announced from 28% to 24% to be phased in over 4 years. For the 2010 accounts, all deferred tax balances have been restated to a rate of 27%. It has been estimated that a further 3% reduction in the corporation tax rate will reduce net deferred tax by £177,000 over the next 3 years.

14. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid up</i>	
	2010 £000	2009 £000	2010 £000	2009 £000
Ordinary shares of £1 each (equity)	1,000,000	1,000,000	169,996	164,996

Additional share capital of £5,000,000 was received in the year to fund the acquisition of E*Trade UK which was purchased for £5.15 million.

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS at 31 October 2010

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital £000</i>	<i>Profit and loss Account £000</i>	<i>Revaluation Reserve £000</i>	<i>Total Shareholders funds £000</i>
As at 31 st October 2008	164,996	(125,146)	-	39,850
As at 31 st October 2009	164,996	(118,752)	2,917	49,161
Additional Capital	5,000	-	-	5,000
Movement in revaluation reserve	-	-	(36)	(36)
Retained profit for the year	-	5,028	-	5,028
As at 31 st October 2010	<u>169,996</u>	<u>(113,724)</u>	<u>2,881</u>	<u>59,153</u>

16. OTHER FINANCIAL COMMITMENTS

At 31 October 2010 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases, which expire				
Within one year	-	-	-	11
In one to two years	-	-	-	-
In two to five years	-	-	-	-
In over five years	1,665	1,382	-	-
	<u>1,665</u>	<u>1,382</u>	<u>-</u>	<u>11</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 independently administered fund. There were no unpaid contributions outstanding at the year end (2009 - £nil) £1,330,000 (2009 £1,105,000) has been recognised in the profit and loss account in relation to pension contributions for the year. Pension contributions have increased due to the implementation of a flexible benefits program where employees may opt for a salary sacrifice in lieu of increased pension contributions from the employer.

18. RELATED PARTY TRANSACTIONS

TD Waterhouse Investor Services (Europe) Limited acts as an outsourced service provider to NatWest Stockbrokers Limited and processes all broking transactions on their behalf. The company received income from NatWest Stockbrokers Limited in respect of these services to the value of £12,971,371 (2009 £13,613,978) in the current year. At 31 October 2010 TD Waterhouse Investor Services (Europe) Limited was due £18,384,781 from this related party on account (2009 was due £10,394,400).

TD Waterhouse Investor Services (Europe) Limited outsources its treasury function to TD Waterhouse Bank NV (UK Branch). The company received income from TD Waterhouse Bank NV (UK Branch) in respect of these services to the value of £3,062,321 (2009 £4,832,862). At 31 October 2010 TD

TD Waterhouse Investor Services (Europe) Limited

NOTES TO THE ACCOUNTS

at 31 October 2010

Waterhouse Investor Services (Europe) Limited was due £61,633,435 from this related party on account (2009 was due £186,834,867)

19. PARENT UNDERTAKING AND CONTROLLING PARTY

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

TD Waterhouse Investor Services (Europe) Limited is included within the UK consolidated accounts of TD Waterhouse Investor Services (UK) Ltd

The company's ultimate parent company and controlling party is the TD Bank Group, which is incorporated in Canada. Copies of the group financial statements including Pillar III disclosures within the notes to the accounts may be obtained from

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