

TD Securities Limited

Directors' Report and Audited Financial Statements
for the year ended 31 October 2004

Registered Number 2650118



TD Securities Limited

TD Securities Limited

Directors' Report and Financial Statements for the year ended 31 October 2004

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TD Securities Limited

Directors' Report for the year ended 31 October 2004

The directors submit their report and audited financial statements for the year ended 31 October 2004.

Principal Activity

The principal activity of the company comprises the trading of exchange traded equities and equity derivatives. In addition the company holds two private equity investments.

The company is regulated by the Financial Services Authority.

Directors

The directors of the company who served during the year and subsequently were as follows:

| | |
|---------------------------|--|
| Mr M Fedder (German) | – Managing Director and Chairman |
| Mr G W Piercey (Canadian) | – Finance Director (Resigned 31 January 2004) |
| Mr M Singh (Canadian) | – Finance Director (Appointed 28 January 2004) |
| Mr J White (British) | – Legal and Compliance Director |
| Mr T Hill (British) | – Director |
| Mr M Newman (Canadian) | – Director |

Mr M Newman resigned as Director on 9 December 2004, and Mr M Wells was appointed as a director of the company at a meeting held on 9 December 2004.

Directors' Interests

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.

Business Review and Future Developments

The company's results for the year are set out on page 5. The loss on ordinary activities after taxation for the year was £3,897,000 (2003: loss £11,792,000). In 2004 the trading business undertook a strategy of reducing risk in its portfolio by unwinding a number of proprietary positions resulting in increased trading losses. It is expected that the principal activity of the company will continue for the foreseeable future supplemented by other initiatives within the equities markets, such as institutional equities sales.

No Redeemable Preference dividend was declared or paid during the year (2003: Nil). No dividend on Ordinary Shares was declared and none is proposed (2003: Nil).

TD Securities Limited

Directors' Report for the year ended 31 October 2004 (continued)

Statement of Directors' Responsibilities

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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on a 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the directors



M Singh
Finance Director

Triton Court,
14/18 Finsbury Square,
London EC2A 1DB.

21 January 2005

TD Securities Limited

Independent auditors' report to the members of TD Securities Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

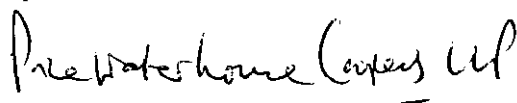
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

TD Securities Limited

Independent auditors' report to the members of TD Securities Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 October 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over the printed name of the firm.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 January 2005

TD Securities Limited

Profit and loss account for the year ended 31 October 2004

| | | <u>2004</u> | <u>2003</u> |
|--|-------|-----------------------|------------------------|
| | Notes | £000 | £'000 |
| Turnover | 2 | 2,164 | 6,376 |
| Other operating charges | | <u>(668)</u> | <u>(2,900)</u> |
| | | 1,496 | 3,476 |
| Administrative expenses: | | | |
| Restructuring provision | | - | (5,129) |
| Specific provision against other debtors | | - | (2,066) |
| Other administrative expenses | | <u>(4,530)</u> | <u>(6,199)</u> |
| Operating Loss | 3 | (3,034) | (9,918) |
| Loss on sale of investment securities | 5 | - | (1,189) |
| Provision for permanent diminution in value of investment securities | 5 | <u>(658)</u> | <u>(685)</u> |
| Loss on Ordinary Activities Before Taxation | | (3,692) | (11,792) |
| Tax on Loss on Ordinary Activities | 4 | <u>(205)</u> | - |
| Retained Loss for the financial year | 11 | <u>(3,897)</u> | <u>(11,792)</u> |

The above results are derived solely from continuing operations. There are no discontinued activities in relation to either year.

The losses for the years as stated above are not different from the results on an unmodified historical cost basis, except as explained in note 1.

There were no recognised gains or losses in either year other than the loss for the year and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 7 to 17 form part of these financial statements.

TD Securities Limited

Balance Sheet as at 31 October 2004

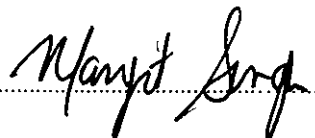
| | Notes | 2004 £000 | 2003 £000 |
|--|-------|---------------|---------------|
| Fixed Assets: | | | |
| Fixed asset investment securities | 5 | 4,459 | 4,907 |
| Tangible fixed assets | 6 | 115 | 932 |
| | | <u>4,574</u> | <u>5,839</u> |
| Current Assets: | | | |
| Debtors | 7 | 15,571 | 40,427 |
| Cash at bank | | 56,856 | 51,701 |
| | | <u>72,427</u> | <u>92,128</u> |
| Creditors: | | | |
| Amounts falling due within one year | 8 | (13,099) | (29,143) |
| Net Current Assets | | <u>59,328</u> | <u>62,985</u> |
| Total assets less current liabilities | | <u>63,902</u> | <u>68,824</u> |
| Creditors: | | | |
| Provision for liabilities and charges | 9 | (2,641) | (3,666) |
| Net Assets | | <u>61,261</u> | <u>65,158</u> |
| Capital and Reserves | | | |
| Called Up Share Capital | 10 | 63,000 | 63,000 |
| Profit and Loss account | 11 | (1,739) | 2,158 |
| Total Shareholders' funds | 12 | <u>61,261</u> | <u>65,158</u> |

including non-equity interest of £62,000,000 (2003:£62,000,000)

The financial statements on pages 5 to 17 were approved by the Directors on 21 January 2005 and signed on their behalf by:

M Singh

Finance Director



The notes on pages 7 to 17 form part of these financial statements.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004

1 Accounting Policies

Accounting Convention

These financial statements have been prepared in accordance with applicable accounting standards, on the going concern basis under the historical cost convention except as disclosed in paragraph (d) below, and in accordance with the requirements of the Companies Act 1985.

A summary of the accounting policies of the company, which have been consistently applied, is set out below:

- a) Interest receivable and similar income represents interest receivable from investments and cash deposits and includes gross dividends.
- b) Investments in securities are held for the long term as a matter of investment policy, and are accounted for as fixed asset investments. Fixed asset investments are stated at cost less any provision for impairment. The Board regularly reviews each individual investment of the company and provides for any permanent diminution in value in order to write assets down to their recoverable amount, where necessary.
- c) Depreciation of tangible fixed assets is provided over estimated useful lives as follows:

| | |
|-----------------------|-----------------------|
| Computers | 3 years straight line |
| Software | 30% reducing balance |
| Fixtures and Fittings | 20% reducing balance |
| Other equipment | 20% reducing balance |
- d) Stock and options positions related to exchange traded financial instruments are marked to market. The gains or losses resulting from the application of this policy are taken into the profit and loss account, which represents a departure, as far as gains are concerned, from the Companies Act 1985. The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the company's trading activities in accordance with Section 226 (5) of the Companies Act 1985. The directors consider that it is not practicable, and moreover would be misleading, to quantify the effect of non-compliance with the Act.
- e) Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date arising from transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised only to the extent that it is considered 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 assets and liabilities are not discounted.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

1 Accounting Policies (continued)

- f) Trading results denominated in foreign currencies are translated into Sterling at average rates of exchange during the year.

For reporting purposes, monetary assets and liabilities denominated in currencies other than Sterling are translated into Sterling at spot rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in currencies other than Sterling are translated into Sterling at the spot rates of exchange at the date of the transaction. Foreign exchange gains or losses are dealt with through the profit and loss account as other operating income or expense.

Related Party Transactions

Under paragraph 3 (c) of Financial Reporting Standard (FRS) 8 "Related Party Disclosures" the company has taken advantage of the exemptions permitted for related party transactions as a result of being a wholly owned subsidiary of a Group, where the parent prepares consolidated financial statements which include the company and which are publicly available.

Cash flow statement

The company has not produced a cash flow statement. In accordance with FRS 1 (revised), the company is claiming an exemption as the financial statements of its ultimate parent are publicly available.

Segmental Information

The business of the company during the year was investing in securities together with trading in securities and derivatives which the directors consider to be a single category of business. The sole geographical segment from which the company has operated is Europe. Consequently, no segmental analysis of the company's revenue and assets is required.

2 Turnover

Turnover represents:

| | 2004 | 2003 |
|---|--------------|--------------|
| | £000 | £000 |
| Trading (loss) / income earned from exchange traded financial instruments | (243) | 3,935 |
| Interest receivable and similar income | 2,163 | 2,353 |
| Interest received from ultimate parent undertaking | 244 | 88 |
| | <u>2,164</u> | <u>6,376</u> |

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

3 Loss on Ordinary Activities Before Taxation

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

| | 2004 | 2003 |
|--|------|------|
| | £000 | £000 |
| Interest payable on loans from banks | 224 | 656 |
| Other charges from ultimate parent undertaking | 230 | 445 |
| Depreciation (note 6) | 130 | 415 |
| Auditor's remuneration – audit services | 17 | (6) |
| – non-audit services | - | 31 |

No emoluments were paid to directors during the year (2003: Nil). Pension benefits under defined contribution/defined benefit schemes were not accruing to any director. There were no direct employees, however an average of 17 (2003: 40) staff provided services to the company during the year. These employees do not have contracts of service with the company but are paid and retain contracts with the ultimate parent company. Costs associated with these staff are recharged to the company and are included within Other administrative expenses.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

4 Taxation

| | 2004 | 2003 |
|--|-------|------|
| | £000 | £000 |
| Current tax: | | |
| Adjustments in respect of previous years | (163) | - |
| Total current tax | (163) | - |
| Deferred tax: | | |
| Deferred tax asset written off | 368 | - |
| Total deferred tax | 368 | - |
| Tax charge on loss on ordinary activities | 205 | - |

The tax assessed for the year is lower than the standard rate applying in the UK (30%). The differences are explained below:

| | 2004 | 2003 |
|--|---------|---------|
| | | £000 |
| Loss on ordinary activities at the UK tax rate 30% (2003: 30%) | (1,108) | (3,538) |
| Tax recovery not accounted for | 1,108 | 2,887 |
| Capital losses on disposal of assets | - | 651 |
| Adjustments to tax charge in respect of previous years | (163) | - |
| Tax charge for current year | (163) | - |

The value of the potential deferred tax asset (which will represent the non-allowable tax deduction on the equity investment provisions (£1,681,000) and any other tax losses (£10,045,000)) is £3,518,000. It is the opinion of the directors that future profits may not be sufficient to absorb the potential deferred tax asset and as such no allowance for a deferred tax asset has been made.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

5 Fixed Assets – Investment Securities

| | Unlisted investments |
|---|---------------------------------|
| | £000 |
| Cost | |
| At 1 November 2003 | 5,924 |
| Additions | 1,154 |
| Exchange adjustment on opening balance | 63 |
| Capital returned by Investment Securities in the year | (1,001) |
| At 31 October 2004 | <u>6,140</u> |
| Provisions | |
| At 1 November 2003 | 1,017 |
| Charge for year | 658 |
| Exchange adjustment on opening balance | 6 |
| At 31 October 2004 | <u>1,681</u> |
| Net Book Value at 31 October 2004 | <u>4,459</u> |
| Net Book Value at 31 October 2003 | <u>4,907</u> |

A provision for impairment of certain investment securities has been established based on the directors' assessment of their recoverable amount. The directors have reviewed the investment portfolio and do not consider there to be any unprovided instances of permanent impairment, other than the provisions already established.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

6 Fixed Assets – Tangible Fixed Assets

| | Computer software and hardware | Fixtures Fittings | Other Equipment | Total |
|--|--------------------------------------|----------------------|--------------------|--------------|
| | £000 | £000 | £000 | £000 |
| Cost at 1 November 2003 | 1,051 | 274 | 63 | 1,388 |
| Additions during the year | 20 | - | - | 20 |
| Disposals during the year | (825) | (274) | (63) | (1,162) |
| Cost at 31 October 2004 | 246 | - | - | 246 |
| Accumulated depreciation at 1 November 2003 | (371) | (70) | (15) | (456) |
| Charge for the year | (101) | (23) | (6) | (130) |
| Disposals for the year | 341 | 93 | 21 | 455 |
| Accumulated depreciation at 31 October 2004 | (131) | - | - | (131) |
| Net Book Value at 31 October 2004 | 115 | - | - | 115 |
| Net Book Value at 31 October 2003 | 680 | 204 | 48 | 932 |

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

7 Debtors

| | 2004 | 2003 |
|---|---------------|---------------|
| | £000 | £000 |
| Stock and options positions - Long | 11,948 | 15,442 |
| Current account with clearing member | 611 | 21,935 |
| Amounts owed by ultimate parent undertaking | 8 | 93 |
| Amount receivable from a fellow subsidiary in respect of group relief | 141 | - |
| Other debtors | 81 | 19 |
| Prepayments and accrued income | 83 | 72 |
| Taxation recoverable | 2,699 | 2,498 |
| Deferred tax asset | - | 368 |
| | <u>15,571</u> | <u>40,427</u> |

Amounts owed by the ultimate parent undertaking are repayable on demand and are non-interest bearing. The current account with the clearing member is pledged as a security against trading positions. Other debtors includes an amount due from a key member of staff of £1,904,000 (2003: £2,066,000). The original terms of the loan provided for repayment based on certain performance targets being met from business/assets acquired from Stafford Trading Europe Limited. With the subsequent restructuring, the directors consider repayment of the loan unlikely. Therefore, a specific provision has been made against the full amount.

The Deferred Tax Asset was written off in the year as it is the opinion of the Directors that future profits may not be sufficient to absorb any potential deferred tax asset.

| | 2004 |
|--|----------|
| | £000 |
| Deferred tax asset at 1 November 2003 | 368 |
| Deferred tax asset written off in the year | (368) |
| Deferred tax asset at 31 October 2004 | <u>-</u> |

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

8 Creditors: Amounts falling due within one year

| | 2004 | 2003 |
|---|---------------|---------------|
| | £000 | £000 |
| Bank loans and overdraft with ultimate parent undertaking | 2,941 | - |
| Stock and options positions – Short | 8,506 | 10,485 |
| Amounts owed to ultimate parent undertaking | 377 | 946 |
| Current account with clearing member | 2 | 17,235 |
| Accruals and deferred income | 1,273 | 477 |
| | <u>13,099</u> | <u>29,143</u> |

Bank loans and overdraft with ultimate parent undertaking are repayable on demand and are interest bearing.
Other amounts owed to ultimate parent undertaking are repayable on demand and are non-interest bearing.

9 Provision for Liabilities and Charges

| | £000 |
|---|--------------|
| Provisions at 1 November 2003 | 3,666 |
| Provision released against current year charges | (1,025) |
| Provisions at 31 October 2004 | <u>2,641</u> |

A restructuring of the business/assets acquired from Stafford Trading Europe Limited during 2003 resulted in the loss of jobs and the redundancy of certain equipment and office space. Provisions related to the job losses were fully taken during 2003. Provisions related to equipment have been fully utilised in fiscal 2004 and the remaining provision at 31 October 2004 relates to vacant office space and is expected to be fully utilised by fiscal 2016.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

10 Called Up Share Capital

| | <u>2004</u> | <u>2003</u> |
|---|----------------|----------------|
| | <u>£000</u> | <u>£000</u> |
| Authorised: | | |
| 10,000,000 Ordinary shares of £1 each | 10,000 | 10,000 |
| 250,000,000 Redeemable preference shares of £1 each | 250,000 | 250,000 |
| | <u>260,000</u> | <u>260,000</u> |
| Allotted and fully paid: | | |
| 1,000,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| 62,000,000 Redeemable preference shares of £1 each | 62,000 | 62,000 |
| | <u>63,000</u> | <u>63,000</u> |

The Redeemable Preference Shares are redeemable at par at the option of the issuer on the following dates:

25,000,000 Redeemable Preference Shares of £1 each issued 27 September 1991 redeemable on 31 October 2021.

4,000,000 Redeemable Preference Shares of £1 each issued 3 February 1992 redeemable on 31 October 2022

27,000,000 Redeemable Preference Shares of £1 each issued on 30 April 1996 redeemable on 31 October 2026

6,000,000 Redeemable Preference Shares of £1 each issued on 24 July 1996 redeemable on 31 October 2026

In the event that it is resolved to distribute by way of dividend all, or part of the profits, the holder of the Redeemable Preference shares have the right to receive a variable non cumulative preferential dividend between the rates of 1 per cent and 20 per cent per share per annum.

The Redeemable Preference shares have attached to them the same rights regarding voting and payment on a winding up as are attached to Ordinary shares.

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

11 Profit and Loss Reserve

| | <u>2004</u> |
|-------------------------|----------------|
| | <u>£000</u> |
| Balance brought forward | 2,158 |
| Loss for the year | (3,897) |
| | <u>(1,739)</u> |

12 Reconciliation and Analysis of Shareholders' Funds

| | <u>2004</u> | <u>2003</u> |
|---|---------------|---------------|
| | <u>£000</u> | <u>£000</u> |
| Opening Shareholder's Funds | 65,158 | 76,950 |
| Loss for the year | (3,897) | (11,792) |
| Closing Shareholder's Funds | <u>61,261</u> | <u>65,158</u> |
| Attributable to: | | |
| Ordinary share capital | 1,000 | 1,000 |
| Profit and Loss Reserve (note 11) | (1,739) | 2,158 |
| Total equity interest | <u>(739)</u> | <u>3,158</u> |
| Attributable to non-equity interest (redeemable preference shares) | <u>62,000</u> | <u>62,000</u> |
| | <u>61,261</u> | <u>65,158</u> |

TD Securities Limited

Notes to the financial statements for the year ended 31 October 2004 (continued)

13 Contingent Liabilities and Commitments

The company has investment commitments of £4,853,914 in respect of unlisted securities as at 31 October 2004 (2003: £5,945,786).

TD Securities Limited is committed to pay £847,000 (2003: £847,000) in the next year in respect of an operating lease of a building that expires in more than five years (2003: more than five years). TD Securities Limited has sub-let this building and will recover £692,000 (2003: £487,000) against the commitment due in the next year.

There are no other contingent liabilities and commitments as at 31 October 2004 and in the preceding year.

14 Ultimate Parent Undertaking

The parent company of the smallest group of which the company forms part is Toronto Dominion Holdings (UK) Limited, which is registered in England and Wales. Copies of the group accounts may be obtained from: Triton Court, 14/18 Finsbury Square, London EC2A 1DB.

The company's ultimate parent company, controlling party and the parent of the largest group to consolidate the financial statements of the company is The Toronto-Dominion Bank, which is incorporated in Canada. Copies of The Toronto-Dominion Bank's group accounts may be obtained from: Finance Control Division, The Toronto Dominion Bank, PO Box 1, Toronto-Dominion Centre, King St. W and Bay St., Toronto, Ontario M5K 1A2, Canada.