TD Securities Limited

Report and Audited Financial Statements

31 October 2009

Registered No 2650118

Directors

J Coombs (Canadian)
J White (British)
B Wallace (British)
P Dixon (British)
J Stewart (British)
D Machacek (Canadian)
M Collins (Canadian)
A Fong (Australian)
M Flood (Canadian)

Auditors

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

Registered Office

Triton Court
14/18 Finsbury Square
London EC2A 1DB

Directors' report

The directors submit their report and audited financial statements for the year ended 31 October 2009

Results and dividends

The company's results for the year are shown in the statutory profit and loss account on page 8 The loss on ordinary activities after taxation for the year was £1,109,730 (2008 profit £3,654,660)

No redeemable preference dividend was declared or paid during the year (2008 Nil) No dividend on ordinary shares was declared and none is proposed (2008 Nil)

Principal activity and review of the business

One of the principal activities of the company is trading on a proprietary basis in futures and index options, all of which are exchange-traded on recognised exchanges throughout Europe The company periodically engages in long-term investments and currently holds two private equity investments

The company also receives fees and commissions from other group companies both for introducing private equity investors to TD Capital's 'Fund-of-Funds' business and on the sale of Canadian and other global exchange-listed equities to European-based institutional clients The company is regulated by the Financial Services Authority

The key financial performance indicators of the Company during the year were as follows

	2009	*2008*	*Change*
	£000	*£000*	*%*
Turnover	4,216	7,430	-43%
Operating (loss) / profit	(1,317)	3,342	-139%
(Loss) / profit after tax	(1,110)	3,655	-130%
Shareholder's funds	69,519	70,629	-2%

Turnover decreased in 2009 by 43% primarily due to reductions in Sterling interest rates The single largest contributing factor was the 88% decline in interest receivable on term deposits Additionally, there were no income distributions on investment securities during 2009 and impairment provisions were taken against the investment securities which also impacted on operating profit

Principal risks and uncertainties

The financial risk management objectives and policies of the company are shown in note 17 of the financial statements

Future developments

During the year, the company continued its principal activities From 1 November 2009 the TD Capital 'Fund-of-Funds' business has been discontinued within this legal entity

Events since the balance sheet date

Subsequent to the balance sheet date the company has negotiated a termination of its lease referred to in note 12 on the financial statements As a result, £456,155 of the provision has been utilised, and £1,482,340 has been released to the profit and loss account during December 2009

Directors' report

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the forseeable future Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern Therefore, the financial statements continue to be prepared on the going concern basis

Directors and their interests

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

G Alder (Australian)	- Managing Director and Chairman (resigned 1 November 2008)
J Coombs (Canadian)	- Managing Director and Chairman (appointed 1 November 2008)
M Collins (Canadian)	- Director
J White (British)	- Director
T Tomovski (Canadian)	- Finance Director (resigned 28 May 2009)
P Dixon (British)	- Finance Director (appointed 28 May 2009)
K Riley (Canadian)	- Director (resigned 13 July 2009)
B Wallace (British)	- Director (appointed 13 July 2009)
J Stewart (British)	- Director
D Machacek (Canadian)	- Director
M Flood (Canadian)	- Director (Resigned 31 October 2009)
M Flood (Canadian)	- Non Executive Director (Appointed 1 November 2009)

None of the directors had any interest in the share capital of the company or of any other Toronto-Dominion Bank group companies which are incorporated in the United Kingdom

Basel II Pillar 3

The company has been granted a waiver from the FSA with respect to Basel II Pillar 3 disclosure requirements, as the ultimate parent undertaking produces consolidated Pillar 3 disclosures which includes specific company information For further information on the following, please see the Toronto-Dominion Bank's group 2009 Annual Report (AR) and Supplemental Financial Information (SFI)

Credit Portfolio Quality	AR pgs 49-58
Capital Position	AR pgs 59-61
Managing Risk	AR pgs 67-80
Quarterly Basel II Quantitative Disclosures	SFI pgs 37-44

Valuation adjustments made to the fair values of trading instruments during 2009 were £Nil (2008 £Nil)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information

Directors' report (continued)

Auditors

In accordance with Section 485 of the Companies Act 2006 a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company

On behalf of the board

P Dixon
Director
22 February 2010

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law 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 those financial statements, the directors are required to

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

The directors are responsible for keeping proper 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 to 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

ERNST & YOUNG

Independent auditor's report

to the members of TD Securities Limited

We have audited the financial statements of TD Securities Limited for the year ended 31 October 2009 which comprise the Profit and Loss Account, 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 Directors' Responsibilities Statement set out on page 6, 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 31 October 2009 and of its (loss)/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 matters 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

ERNST & YOUNG

Independent auditor's report

to the members of TD Securities Limited (continued)

Matters on which we are required to report by exception

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

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

the financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made, or

we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Simon Michaelson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 22/2/10

Profit and loss account

for the year ended 31 October 2009

	Note	2009 £000	2008 restated £000
Turnover	2	4,216	7,430
Operating charges		(73)	(25)
Foreign exchange gains		179	157
		4,322	7,562
Administrative expenses		(4,852)	(3,421)
Provision for impairment in value of investment securities	7	(787)	(799)
Operating (loss) / profit		(1,317)	3,342
Interest payable and similar charges	5	(167)	(333)
Other finance costs	12	–	(98)
(Loss) / Profit on ordinary activities before taxation	3	(1,484)	2,911
Tax credit on (loss) / profit on ordinary activities	6	374	744
Retained (loss) / profit for the financial year	14	(1,110)	3,655

The above results are derived solely from continuing operations

There are no recognised gains and losses other than those shown in the profit and loss account

The notes on pages 10 to 24 form an integral part of these financial statements

Balance sheet
at 31 October 2009

	Note	2009 £000	2008 £000
Non-current assets			
Investment securities	7	6,579	6,477
Tangible fixed assets	8	7	8
		6,586	6,485
Current assets			
Inventory	9	374	3,712
Debtors	10	14,100	10,090
Cash at bank		65,974	65,561
		80,448	79,363
Creditors : amounts falling due within one year	11	(15,578)	(13,282)
Net current assets		64,870	66,081
Total assets less current liabilities		71,456	72,566
Provision for liabilities and charges	12	(1,937)	(1,937)
Net assets		69,519	70,629
Capital and reserves			
Called up share capital	13	63,000	63,000
Profit and loss account		6,519	7,629
Total shareholder's funds	14	69,519	70,629

The financial statements were approved by the Board of Directors on 22 February 2010 and signed on their behalf by

P Dixon
Director

The notes on pages 10 to 24 form an integral part of these financial statements

Notes to the financial statements
at 31 October 2009

1 Accounting policies

Basis of preparation and change in accounting policy

The financial statements of TD Securities Limited were approved by the Board of Directors on 22 February 2010

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 below, and in accordance with the requirements of Companies Act 2006

A summary of the accounting policies of the company is set out below

Financial assets

Financial assets are recognised when the company becomes party to the contracts that give rise to them and are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or as available-for-sale financial assets, as appropriate The company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the company commits to purchase or sell the asset Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place The subsequent measurement of financial assets depends on their classification, as follows

Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading and other assets designated as such on inception are included in this category Financial assets are classified as held-for-trading if they are acquired for sale in the short term Derivatives are also classified as held-for-trading unless they are designated as hedging instruments Assets are carried in the balance sheet at fair value with gains or losses recognised in the profit and loss account

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity Held-to-maturity investments are carried at amortised cost using the effective interest method

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale Such assets are carried at amortised cost using the effective interest method if the time value of money is significant Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process

Notes to the financial statements

at 31 October 2009

1 Accounting policies (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the three preceding catergories After initial recognition, available-for-sale financial assets are measured as fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity in included in the profit and loss account Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date Where there is no active market, fair value is determined using valuation techniques These include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and pricing models Otherwise assets will be carried at cost

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i e the effective interest rate computed at initial recognition) The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the profit and loss account Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account

Notes to the financial statements

at 31 October 2009

1 Accounting policies (continued)

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it expires or is settled, sold or cancelled

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss

Investment securities

Investment securities were carried at cost, adjusted to net realisable value to recognise other-than-temporary impairment

Tangible fixed assets

Depreciation of tangible fixed assets is provided

Computer hardware	3 years straight line
Furniture and fittings	20% reducing balance

Depreciation is charged from the relevant date in the year use commences

Stock and options positions

Stock and options positions related to exchange traded financial instruments are carried at fair value with gains or losses recognised in the profit and loss account

Deferred taxation

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

Foreign currencies

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 (including share capital) 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 transaction Other foreign exchange gains or losses are dealt with through the profit and loss account as other operating income or expense

Notes to the financial statements
at 31 October 2009

1 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of obligation

Related party transactions

Under paragraph 3(c) of 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 ultimate 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 1996) "Cash flow statements", the company is claiming an exemption as the financial statements of its ultimate parent are publicly

Segmental information

The businesses of the company during the year was investing in securities, dealing in exchange-traded securities and derivatives, as well as receiving fees for services, 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

Operating leases

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

2 Turnover

	2009	*2008 restated*
	£000	*£000*
Trading loss from exchange traded financial instruments	(363)	(119)
Interest receivable on cash at bank	410	3,559
Interest receivable on current account with clearing member	4	11
Interest receivable on deposits with ultimate parent undertaking	184	201
Fee income from other group companies on introduction of investors	1,446	1,458
Commission income from other group companies on sale of institutional equities	2,128	2,295
Commission income from third parties on sale of institutional equities	407	–
Other income from ultimate parent undertaking	–	25
	4,216	7,430

Certain comparative figures have been restated to conform with the current year's presentation where interest payable on the current account with clearing members is now shown in interest payable and similar charges rather than administrative expenses

Notes to the financial statements
at 31 October 2009

3 (Loss) / Profit on ordinary activities before taxation

The (loss) / profit on ordinary activities before taxation is stated after charging/ (crediting)

	2009	*2008*
	£000	*£000*
Other charges from ultimate parent undertaking	(31)	–
Depreciation (Note 8)	7	55
Operating lease payments – lease payments (Note 15)	623	637
Operating lease payments – sublease payments received	(514)	(525)
Auditor's remuneration - audit services	46	71

No emoluments were paid to directors during the year (2008 Nil) in respect of their role as directors of the company There are no pension benefits under defined contributions/defined benefit schemes accruing to any director in respect of their services to the company

4 Staff costs

	2009	*2008*
	£000	*£000*
Salaries and benefits	3,186	2,741
Social security costs	337	(259)
Pension costs	69	64
	3,592	2,546

	2009	*2008*
Average number of employees during the year	12	11

5 Interest payable and similar charges

	2009	*2008*
		restated
	£000	*£000*
Interest payable on current account with clearing member	6	11
Interest payable on bank loans from ultimate parent undertaking	161	333
	167	344

Certain comparative figures have been restated to conform with the current year's presentation where interest payable on the current account with clearing members is now shown in interest payable and similar charges rather than administrative expenses

Notes to the financial statements
at 31 October 2009

6 Taxation

	2009 £000	2008 £000
Current tax		
UK Corporation tax on (losses) / profits for the year	(374)	–
Adjustments in respect of prior periods	–	(402)
Tax credit for current year	(374)	(402)
Deferred tax		
Tax losses available for offset in future periods	–	(342)
Tax credit on profit on ordinary activities	(374)	(744)

	2009 £000	2008 £000
Deferred tax asset		
At 1 November	574	232
Arising in the year	–	342
At 31 October (Note 10)	574	574

The tax assessed for the year is lower than the standard rate applying in the UK (28%) The differences are explained below

	2009 £000	2008 £000
(Loss) / profit on ordinary activities before tax	(1,484)	2,911
(Loss) / profit on ordinary activities multiplied by standard rate in the UK 28% (2008 28 83%)	(415)	839
Effects of		
Expenses not deductible for tax purposes	5	5
Tax relief on partnership expenses	(71)	(63)
Non-taxable income	(160)	(137)
Utilisation of trading losses brought forward	–	(652)
Timing differences	48	8
Adjustments to tax charge in respect of previous years	–	(402)
Non recognition of losses on capital diminution of value of investment	219	–
Tax credit for the year	(374)	(402)

As at October 31 2009, the company had an additional amount of carried forward tax losses of £1,824,272 (2008 £1,037,341) and other timing differences of £3,115,321 (2008 £2,917,138), giving a potential deferred tax asset of £1,383,086 (2008 £1,107,341) It is the opinion of the directors that future profits may not be sufficient to absorb this additional potential deferred tax asset and as such the full amount of this deferred tax asset has not been recognised

Notes to the financial statements
at 31 October 2009

7 Investment securities

	Unlisted investments *£000*
Group	
Cost	
At 1 November 2008	9,215
Foreign exchange adjustments on opening balance	636
Capital invested in the year	317
At 31 October 2009	10,168
Provisions	
At 1 November 2008	2,738
Foreign exchange adjustments on opening balance	64
Impairment charge for the year	787
At 31 October 2009	3,589
Net book value at 31 October 2009	6,579
Net book value at 31 October 2008	6,477

Investment securities comprises two private equity investments held by the company For future commitments, please refer to note 16

A provision for impairment of both investment securities has been established based on the directors' assessment of their recoverable amount The directors have reviewed the investment portfolio and have determined an additional provision for permanent impairment was required for one of the investments of £787,484

During the year, the investments made capital distributions of £Nil (2008 £100,000) and income distributions of £Nil (2008 £Nil) Income distributions, where they arise, are taken to profit and loss accordingly

These are available-for-sale financial instruments with fair value disclosed in note 18

Notes to the financial statements
at 31 October 2009

8 Tangible fixed assets

	Computer hardware	*Furniture and fittings*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 November 2008	12	3	15
Additions during the year	4	2	6
Disposals during the year	–	–	–
At 31 October 2009	16	5	21
Accumulated depreciation			
At 1 November 2008	(6)	(1)	(7)
Charge for the year	(6)	(1)	(7)
Disposals during the year	–	–	–
At 31 October 2009	(12)	(2)	(14)
Net book value at 31 October 2009	4	3	7
Net book value at 31 October 2008	6	2	8

9 Inventory

	2009	*2008*
	£000	*£000*
Long positions:		
Index options	374	3,712
Short positions (Note 11)		
Index options	293	3,146

Trading in futures and index options is on a proprietary basis only, all of which is exchange-traded on recognised exchanges throughout Europe

These are held-for-trading financial instruments with fair value disclosed in note 18

Notes to the financial statements
at 31 October 2009

10 Debtors

	2009	*2008*
	£000	*£000*
Current account with clearing member	480	–
Deposits with ultimate parent undertaking	12,047	6,004
Amounts owed by ultimate parent undertaking	2	2,729
Amounts owed by other group companies	621	699
Amounts owed by fellow subsidiary	374	78
Deferred tax asset (Note 6)	574	574
Prepayments and accrued income	2	6
	14,100	10,090

Deposits with ultimate parent undertaking are interest bearing Other amounts owed by ultimate parent undertaking and by other group companies are repayable on demand and are non-interest bearing The current account with the clearing member is pledged as security against trading positions and is interest bearing

11 Creditors

	2009	*2008*
	£000	*£000*
Bank loans from ultimate parent undertaking	11,500	8,144
Inventory – short positions (Note 9)	293	3,146
Current account with clearing member	331	157
Amounts owed to ultimate parent undertaking	300	–
Accruals and deferred income	3,154	1,835
	15,578	13,282

Bank loans from ultimate parent undertaking are interest bearing Other amounts owed to ultimate parent undertaking are repayable on demand and are non-interest bearing The current account with clearing member is repayable on demand and is interest bearing

12 Provisions for liabilities and charges

At 1 November 2008	1,937
Provision utilised during the year	–
At 31 October 2009	1,937

The provision at 31 October 2009 related to future rental shortfalls in respect of sub-let office space, and has been recognised on a discounted basis taking into account the lease rentals payable net of lease rentals receivable on the sub-let property over the term of the underlying lease agreements Subsequent to the balance sheet date the company has negotiated a termination of this lease As a result, £456,155 of the provision was utilised in the year ended 31 October 2010, and £1,482,340 was released to the profit and loss account

Notes to the financial statements
at 31 October 2009

13 Authorised and issued share capital

	2009 £000	2008 £000
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
	260,000	260,000
Allotted, called-up 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
	63,000	63,000

The redeemable preference shares are redeemable at par on the following dates (or earlier if the directors so resolve)

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 on 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 has 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

Capital Management

The primary objectives of the company's capital management are to ensure that the company complies with externally imposed capital requirements and that the company maintains healthy capital ratios in order to support its business and maximise shareholder value The company will make adjustments to its capital in light of changes in economic conditions and the risk characteristics of its activities The company continues to hold sufficient capital to ensure that flexibility is maintained in its operations No changes were made to the objectives, policies or processes during the years ended 31 October 2009 and 31 October 2008

The Group Treasury and Balance Sheet Management function is responsible for managing capital for the Group and for acquiring, maintaining and retiring capital, with oversight from the TDBFG Board of Directors

Regulatory Capital

	2009		2008	
	Actual £000	*Required £000*	*Actual £000*	*Required £000*
Tier 1 capital	69,519	2,506	70,629	8,729

Regulatory capital consists of Tier 1 capital, which comprises share capital and retained earnings including current year profit

Notes to the financial statements
at 31 October 2009

14 Reconciliation and analysis of shareholder's funds

Year ended 31 October 2009

	Profit and loss account	*Ordinary share capital*	*Preference shares*	***Share-holder's funds***
	£000	*£000*	*£000*	*£000*
At 1 November 2008	7,629	1,000	62,000	70,629
Loss for the financial year	(1,110)	–	–	(1,110)
At 31 October 2009	6,519	1,000	62,000	69,519

Year ended 31 October 2008

	Profit and loss account	*Ordinary share capital*	*Preference shares*	***Share-holder's funds***
	£000	*£000*	*£000*	*£000*
At 1 November 2007	3,974	1,000	62,000	66,974
Profit for the financial year	3,655	–	–	3,655
At 31 October 2008	7,629	1,000	62,000	70,629

15 Obligations under leases

Operating lease agreement where the company is lessee

Future minimum rentals payable under non-cancellable operating leases are as follows

	2009	*2008*
	£000	*£000*
Not later than one year	637	637
After one year but not more than five years	2,548	2,548
After five years	743	1,380
	3,928	4,565

16 Commitments

The company has investment commitments in respect of unlisted securities as at 31 October 2009 of £192,340 (2008 £484,967) which can currently be drawn at any time at the discretion of the investment fund managers

Notes to the financial statements

at 31 October 2009

17 Risk management

Objectives, policies and strategies

The principal financial risks faced by the company are interest rate risk, liquidity risk, credit risk and market risk A description of the significant risks associated with the company's activities is provided below

TD Securities Limited has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures This structure is reviewed by the Board Instruments used for risk management purposes include derivative financial instruments ('derivatives'), which are contracts or agreements whose value is derived from one or more underlying prices, or rates inherent in the contract or agreement, such as interest rate and exchange rates

The company uses matched currency funding with the ultimate parent undertaking to finance its business activity and manage its liquidity and currency risk

Interest rate risk

The net interest income of the company is exposed to movements in interest rates This is managed by using short term deposits of no more than three months, which earn applicable money market rates of interest

The interest rate profile of the financial assets and liabilities of the company is as follows

At 31 October 2009	*Within 1 year £000*	*1 to 2 years £000*	*2 to 3 years £000*	*3 to 4 years £000*	*4 to 5 years £000*	*More than 5 years £000*	*Total £000*
Fixed rate							
Cash at bank	65,974	–	–	–	–	–	65,974
Deposits with ultimate parent undertaking	12,047	–	–	–	–	–	12,047
Bank loans from ultimate parent undertaking	(11,500)	–	–	–	–	–	(11,500)
	66,521	–	–	–	–	–	66,521
Floating rate							
Index options - long	374	–	–	–	–	–	374
Index options - short	(293)	–	–	–	–	–	(293)
Current account with clearing member	480	–	–	–	–	–	480
Overdrawn current account with clearing member	(331)	–	–	–	–	–	(331)
Provisions for liabilities	(35)	546	507	369	73	477	1,937
	195	546	507	369	73	477	2,167
Interest rate sensitivity gap	66,716	546	507	369	73	477	68,688

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at 31 October 2009

17 Risk management (continued)

Interest rate risk (continued)

The interest rate profile of the financial assets

At 31 October 2008	*Within 1 year £000*	*1 to 2 years £000*	*2 to 3 years £000*	*3 to 4 years £000*	*4 to 5 years £000*	*More than 5 years £000*	*Total £000*
Fixed rate							
Cash at bank	65,561	–	–	–	–	–	65,561
Deposits with ultimate parent undertaking	6,004	–	–	–	–	–	6,004
Bank loans from ultimate parent undertaking	(8,144)	–	–	–	–	–	(8,144)
	63,421	–	–	–	–	–	63,421
Floating rate							
Index options - long	3,712	–	–	–	–	–	3,712
Index options - short	(3,146)	–	–	–	–	–	(3,146)
Provisions for liabilities	35	(546)	(507)	(369)	(73)	(477)	(1,937)
	601	(546)	(507)	(369)	(73)	(477)	(1,371)
Interest rate sensitivity gap	64,022	(546)	(507)	(369)	(73)	(477)	62,050

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument
The other financial instruments of the company that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk

Liquidity risk

The company's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the company and to enable the company to meet its financial obligations This is achieved through maintaining a prudent level of liquid assets and through management control of the growth of the business The maturity profile of the company's assets and liabilities, based on contract maturity date or earliest available date on which repayment can be demanded where relevant, is set out in notes 10, 11, and 15

Credit risk

The company's exposure to credit risk, excluding the value of collateral, is generally reflected in the carrying amounts of financial assets on the balance sheet Cash is placed on term or overnight deposits with Group Risk Management approved financial institutions

Market risk

Market risk in the entity is limited to price volatility in exchange-traded index options Market risk is minimised by the use of index futures, which are traded in standard amounts on recognised exchanges and are subject to daily cash margining

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18 Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments that are carried in the financial statements

	Book value 31-Oct 2009 £000	Fair value 31-Oct 2009 £000	Book value 31-Oct 2008 £000	Fair value 31-Oct 2008 £000
Financial assets				
Investment securities	6,579	6,599	6,477	6,691
Tangible fixed assets	7	7	8	8
Debtors	14,100	14,100	10,090	10,090
Cash at bank	65,974	65,974	65,561	65,561
Financial liabilities				
Bank loans and amounts owed to group undertakings	(11,500)	(11,500)	(8,144)	(8,144)
Current account with clearing member	148	148	(157)	(157)
Accruals and deferred income	(3,154)	(3,154)	(1,835)	(1,835)
	72,154	72,174	72,000	72,214

Fair values are calculated by discounting cash flows at prevailing interest rates or calculated by using the market interest rates

Fair value of derivative financial instruments

The table below analyses the derivatives used in the company's trading book by type of contract and maturity and shows the carrying amount and their fair value

	2009		2008	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Assets				
Index options	374	374	3,712	3,712
Index futures	–	2,204	–	3,915
	374	2,578	3,712	7,627
Liabilities				
Index options	(293)	(293)	(3,146)	(3,146)
	(293)	(293)	(3,146)	(3,146)

All derivatives positions within the company's trading book have a maturity date of less than one year

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19 Ultimate parent undertaking

The smallest group of which the results of the company may be consolidated is that headed by Toronto Dominion Holdings (UK) Ltd, which is incorporated in the United Kingdom Copies of its financial statements may be obtained from Toronto Dominion Holdings (UK) Ltd, 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 financial statements 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 Copies of the group financial statements may also be obtained online at www td com