TD Securities Limited

Report and Audited Financial Statements

31 October 2010

Registered No 2650118

Directors

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

Company Secretary

N Harrison (British)

Auditors

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

Registered Office

60 Threadneedle Street
London
EC2R 8AP

Directors' report

The directors submit their report and audited financial statements for the year ended 31 October 2010

Results and dividends

TD Securities Limited's ("the Company") results for the year are shown in the statutory profit and loss account on page 7 The profit on ordinary activities after taxation for the year was £884,839 (2009 loss £1,215,640)

No redeemable preference dividend was declared or paid during the year (2009 Nil) No dividend on ordinary shares was declared and none is proposed (2009 Nil)

Principal activity and review of the business

The Company periodically engages in long-term investments and currently holds two private equity investments

The Company no longer receives fee income from other group companies in relation to TD Capital's 'Fund-of-Funds' business since it was devolved from the Toronto-Dominion Bank in 2009, but continues to receive commissions from other group companies on the sale of Canadian and other globally exchange-listed equities to European-based institutional clients During the year, a decision was made by senior management, based on historical financial performance, to unwind certain positions in futures and options products

The Company is regulated by the Financial Services Authority

The key financial performance indicators during the year were as follows

	2010	*2009 restated*	*Change*
	£000	*£000*	*%*
Turnover	3,338	4,216	(21)%
Operating loss	(785)	(1,423)	(45)%
Profit / (Loss) after tax	885	(1,216)	173%
Shareholder's funds	70,298	69,413	1%

Turnover decreased in 2010 by 21% This is primarily due to the TD Capital 'Fund-of-Funds' business no longer being a part of the Toronto-Dominion Bank network, which accounted for 34% of turnover in 2009 Interest receivable on term deposits also declined by 42% year-on-year due to reductions in interest rates During the year, the Company also exited an onerous lease, resulting in a release of the remaining provision and contributing to the increase in profit after tax

Principal risks and uncertainties

The financial risk management objectives and policies of the Company are shown in Note 18 of the financial statements

Future developments

The Company does not anticipate any changes in its principal activities in the forthcoming year

Going concern

The Company's management has made a forward-looking assessment (of at least 12 months) 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 foreseeable future Furthermore, management is not aware of any material

Directors' report

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

Events since the balance sheet date

The directors are not aware of any events subsequent to the year end that would materially affect the financial statements

Directors and their interests

The directors of the Company who served during the year and subsequently are as follows

J Coombs (Canadian)	-	Managing Director and Chairman
J White (British)	-	Director (resigned 29 November 2010)
B Wallace (British)	-	Director
P Dixon (British)	-	Director
J Stewart (British)	-	Director
D Machacek (Canadian)	-	Director
M Lang (Canadian)	-	Director (appointed 20 September 2010)
A Fong (Australian)	-	Director (appointed 15 January 2010)
M Collins (Canadian)	-	Director (resigned 20 September 2010)
M Flood (Canadian)	-	Non-Executive Director (resigned 6 May 2010)

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 include specific company information For further information on the following, please see the Toronto-Dominion Bank's group 2010 Annual Report (AR) and Supplemental Financial Information (SFI)

Credit Portfolio Quality	AR pgs 38-47
Capital Position	AR pgs 48-51
Managing Risk	AR pgs 58-76
Quarterly Basel II Quantitative Disclosures	SFI pgs 40-46

Disclosure of information to the auditors

So far as each person who is 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/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

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 2011

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 judgements 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 Company 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

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 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 20 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 4, 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 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 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

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 22/2/11

Profit and loss account

for the year ended 31 October 2010

	Note	2010 £000	2009 restated £000
Turnover	2	3,338	4,216
Operating charges		(45)	(73)
Foreign exchange gains		3	179
		3,296	4,322
Administrative expenses		(4,065)	(4,958)
Provision for impairment in value of investment securities	7	(292)	(787)
Gain on investment securities	7	276	–
Operating loss		(785)	(1,423)
Interest payable and similar charges	5	(44)	(167)
Provision for liabilities and charges released	12	1,538	–
Profit / (Loss) on ordinary activities before taxation	3	709	(1,590)
Tax credit on ordinary activities	6	176	374
Retained profit / (loss) for the financial year	14	885	(1,216)

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 26 form an integral part of the financial statements

Statement of total recognised gains and losses

for the year ended 31 October 2010

	Note	*2010*	*2009 restated*
		£000	*£000*
Total recognised gains and losses relating to the year	14	885	(1,216)
Adjustment in respect of prior year expense accrual	1	(106)	
Total gains and losses recognised since last annual report		779	

The notes on pages 10 to 26 form an integral part of these financial statements

Balance Sheet
at 31 October 2010

	Note	*2010* *£000*	*2009 restated* *£000*
Non-current assets			
Investment securities	7	5,044	6,579
Tangible fixed assets	8	14	7
		5,058	6,586
Current assets			
Inventory	9	–	374
Debtors	10	9,671	14,100
Cash at bank		66,213	65,974
		75,884	80,448
Creditors: amounts falling due within one year	11	(10,644)	(15,684)
Net current assets		65,240	64,764
Total assets less current liabilities		70,298	71,350
Provision for liabilities and charges	12	–	(1,937)
Net assets		70,298	69,413
Capital and reserves			
Called up share capital	13	63,000	63,000
Profit and loss account	14	7,298	6,413
Total shareholder's funds	14	70,298	69,413

The financial statements were approved by the Board of Directors on 22 February 2011 and signed on their behalf by

P Dixon
Director

The notes on pages 10 to 26 form an integral part of these financial statements

Notes to the financial statements

at 31 October 2010

1. Accounting policies

Basis of preparation and changes in accounting policies

The financial statements of TD Securities Limited were approved by the Board of Directors on 22 February 2011

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

Certain comparative figures have been restated to reflect a correction in the accrual for share based payments The impact of this correction was to increase the charge to the profit and loss account for the year ended 31 October 2009 in respect of share based payments by £105,910 and increase the accrual as at 31 October 2009 by £105,910

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

Revenue Recognition

Turnover includes administration and commission fees Administration and commission fees are recognised over the period in which the related service is rendered Interest income is recognised on an accrual basis

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 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 Such 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 2010

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 categories 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 2010

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 are carried at cost, adjusted to net realisable value to recognise other-than-temporary impairment Income distributions from long term private equity investments, where they arise, are taken to profit and loss accordingly

Tangible fixed assets

Depreciation of tangible fixed assets is provided over estimated useful lives as follows

Computer equipment	Straight line over applicable useful life
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

Share-based compensation plans

The Company operates a restricted share unit plan, which is offered to certain employees of the Company Under this plan, participants are awarded share units equivalent to the Company's common shares that generally vest over three years A liability is accrued by the Company related to such share units awarded and an incentive compensation expense is recognised in the Profit and Loss Account over the vesting period

Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant Changes in the value of these plans are recorded in the Profit and Loss Account

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

Notes to the financial statements

at 31 October 2010

1. Accounting policies (continued)

Foreign currencies (continued)

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

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 available

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 a 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

	2010	*2009*
	£000	*£000*
Commission income from other group companies on sale of institutional equities	2,607	2,128
Commission income from third parties on sale of institutional equities	543	407
Trading loss from exchange-traded financial instruments	(94)	(363)
Interest receivable on cash at bank	237	410
Interest receivable on current account with clearing member	1	4
Interest receivable on deposits with ultimate parent undertaking	38	184
Fee income from other group companies on introduction of investors	6	1,446
	3,338	4,216

Notes to the financial statements

at 31 October 2010

3. Profit / (Loss) on ordinary activities before taxation

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

	2010	*2009*
	£000	*£000*
Auditor's remuneration – audit services	54	46
Charges from ultimate parent undertaking	8	(31)
Depreciation (Note 8)	2	7
Directors' emoluments	907	1,241
Operating lease payments – lease payments (Note 16)	–	623
Operating lease payments – sublease payments received	–	(514)

4. Employees

Staff Costs

	2010	*2009*
		restated
	£000	*£000*
Salaries and benefits	2,810	3,292
Social security costs	234	337
Pension costs	102	69
	3,146	3,698

The average monthly number of employees during the year was made up as follows

	2010	*2009*
	No	*No*
Front office	6	9
Support staff	3	3
	9	12

Notes to the financial statements

at 31 October 2010

4. Employees (continued)

Directors' remuneration

	2010 £000	2009 £000
Aggregate remuneration in respect of qualifying services	582	1,112
Aggregate amounts receivable under long term incentive plans	325	131
Contributions paid to defined contribution pension schemes	10	9

There were no pension contributions under a defined benefit scheme accrued for any director in 2010 (2009 £Nil) in respect of their role with the Company

In respect of the highest paid director

	2010 £000	2009 £000
Aggregate remuneration	907	527
Accrued pension at the end of the year	1	1

The Company does not operate a qualifying share option scheme

5. Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on current account with clearing member	1	6
Interest payable on bank loans from ultimate parent undertaking	43	161
	44	167

Notes to the financial statements

at 31 October 2010

6. Taxation

	2010 £000	2009 £000
Current tax		
UK corporation tax for the year	(52)	(374)
Adjustments in respect of prior periods	18	–
Tax credit for current year	(34)	(374)
Deferred tax.		
Change in opening deferred tax resulting from reduction in tax rates	21	–
Arising in the year	(163)	–
Tax credit on profit on ordinary activities	(176)	(374)

	2010 £000	2009 £000
Deferred tax asset		
At 1 November	574	574
Change in opening deferred tax resulting from reduction in tax rates	(21)	–
Arising in the year	163	–
At 31 October (Note 10)	716	574

The deferred tax asset has been restated to 27% to reflect the reduction in corporate tax rates

Following the budget on 22 June 2010, a reduction in the corporate tax rate, from 28% to 24%, was announced The reduction will be phased in equally over 4 years

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

	2010 £000	2009 restated £000
Profit / (loss) on ordinary activities before tax	709	(1,590)
Profit / (loss) on ordinary activities multiplied by standard rate in the UK 28% (2009 28%)	199	(445)
Effects of		
Expenses not deductible for tax purposes	9	5
Tax relief on partnership expenses	(38)	(71)
Non-taxable income	37	(160)
Timing differences	(341)	78
Adjustments to tax charge in respect of previous years	18	–
Non recognition of losses on capital diminution of value of investment	82	219
Tax credit for the year	(34)	(374)

Notes to the financial statements

at 31 October 2010

6. Taxation (continued)

As at October 31 2010, the Company had carried forward tax losses of £1,157,896 (2009 £1,824,272) and other timing differences of £1,495,346 (2009 £3,115,321), giving a deferred tax asset of £716,375 (2009 £1,383,086) In 2009 the potential deferred tax asset was not recognised in full as it was the opinion of the directors at that time that future profits may not have been sufficient to absorb the full amount of the deferred tax asset

7. Investment securities

	Unlisted investments £000
Cost	
At 1 November 2009	10,168
Foreign exchange adjustments on opening balance	(175)
Capital invested in the year	175
Capital distribution in fiscal year 2010	(1,284)
At 31 October 2010	8,884
Provisions	
At 1 November 2009	3,589
Foreign exchange adjustments on opening balance	(41)
Impairment charge for year	292
At 31 October 2010	3,840
Net book value at 31 October 2010	5,044
Net book value at 31 October 2009	6,579

Investment securities comprise two private equity investments held by the Company For future commitments, please refer to Note 17

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 £291,941

During the year, the investments made capital distributions of £1,284,463 (2009 £Nil) and income distributions of £275,828 (2009 £Nil)

These are available-for-sale financial instruments with fair value disclosed in Note 19

Notes to the financial statements

at 31 October 2010

8. Tangible fixed assets

	Computer hardware	*Furniture and fittings*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 November 2009	16	5	21
Additions during the year	11	5	16
Disposals during the year	(9)	(5)	(14)
Fully depreciated assets	(7)	–	(7)
At 31 October 2010	11	5	16
Accumulated depreciation			
At 1 November 2009	(12)	(2)	(14)
Charge for the year	(2)	–	(2)
Disposals during the year	5	2	7
Fully depreciated assets	7	–	7
At 31 October 2010	(2)	–	(2)
Net book value at 31 October 2010	9	5	14
Net book value at 31 October 2009	4	3	7

9. Inventory

	2010	*2009*
	£000	*£000*
Long positions:		
Index options	–	374
Short positions.		
Index options	–	293

The fair value of held-for-trading financial instruments is disclosed in note 19

During the year, a decision was made by senior management, based on historical financial performance, to unwind positions in futures and options products As a result, positions were unwound on their respective expiry dates

Notes to the financial statements

at 31 October 2010

10. Debtors

	2010	*2009*
	£000	*£000*
Deposits with ultimate parent undertaking	7,499	12,047
Amounts owed by ultimate parent undertaking	6	2
Amounts owed by other group companies	1,396	621
Amounts owed by other group companies in respect of group relief	52	374
Current account with clearing member	–	480
Deferred tax asset (Note 6)	716	574
Prepayments and accrued income	2	2
	9,671	14,100

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

11. Creditors: amounts falling due within one year

	2010	*2009*
		restated
	£000	*£000*
Bank loans from ultimate parent undertaking	6,980	11,500
Accruals and deferred income	3,216	3,260
Amounts owed to ultimate parent undertaking	448	300
Inventory – short positions	–	293
Current account with clearing member	–	331
	10,644	15,684

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

12. Provision for liabilities and charges

	£000
At 1 November 2009	(1,937)
Provision utilised during the year	399
Release to profit and loss	1,538
At 31 October 2010	–

During the year, the Company exited an onerous lease, resulting in a release of the remaining provision

Notes to the financial statements

at 31 October 2010

13. Authorised and issued share capital

	2010	2009
	£000	£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 2010 and 31 October 2009

The Group Treasury and Balance Sheet Management function is responsible for managing capital for the Group and is responsible for acquiring, maintaining and retiring capital, with oversight from the Toronto-Dominion Bank's Board of Directors

Notes to the financial statements

at 31 October 2010

13. Authorised and issued share capital (continued)

Regulatory capital

	2010		*2009*	
	Actual	*Required*	*Actual restated*	*Required*
	£000	*£000*	*£000*	*£000*
Tier 1 capital	70,298	2,082	69,413	2,506

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

14. Reconciliation and analysis of shareholder's funds

Year ended 31 October 2010

	Profit and loss account	*Ordinary share capital*	*Preference shares (equity)*	*Shareholder's funds*
	£000	*£000*	*£000*	*£000*
At 1 November 2009	6,413	1,000	62,000	69,413
Profit for the financial year	885	–	–	885
At 31 October 2010	7,298	1,000	62,000	70,298

Year ended 31 October 2009

	Profit and loss account restated	*Ordinary share capital*	*Preference shares (equity)*	*Shareholder's funds restated*
	£000	*£000*	*£000*	*£000*
At 1 November 2008	7,629	1,000	62,000	70,629
Loss for the financial year	(1,216)	–	–	(1,216)
At 31 October 2009	6,413	1,000	62,000	69,413

15. Share-based payments

The Company operates a restricted share unit plan which is offered to certain employees Under this plan, participants are awarded share units equivalent to TD Bank Financial Group's ("TDBFG") common shares that generally vest over three years, providing the employees have remained continuously employed by the group for this period The number of units granted is determined using the closing share price on the TSX on the trading day preceding the grant date

Notes to the financial statements

at 31 October 2010

15. Share-based payments (continued)

Beginning with units granted in December 2009, the Human Resources Committee ("HRC") of the Board of TDBFG has the discretion to adjust the number of units within a 20% range at maturity at the plan or individual level based on a review of the risks taken to achieve business results over the life of the award Share units are subject to a claw back in the event of a material misrepresentation resulting in the restatement of financial results or a material error, within a 36 month retrospective period In the event of a material misrepresentation or error, the committee will determine the extent of the claw back based on the specific circumstances

At the maturity date, the participant receives cash representing the value of the share units, unless the employee previously elected to defer them into deferred share units Any dividends earned over the period will be re-invested in additional units that will be paid at maturity Redemption proceeds are paid within 60 days of maturity, net of statutory withholdings, and are taxed as employment income The redemption value of units can be reduced by the HRC in unusual circumstances

A liability is accrued by the Bank related to such share units awarded and an incentive compensation expense is recognised in the income statement over the vesting period Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant Changes in the value of these plans are recorded, net of the effects of related hedges, in the income statement

For the year ended October 31, 2010, the Bank recognised compensation expense for these plans of £554,003 (2009 £345,359)

	2010	*2009*
	No of Units	*No of Units*
Outstanding at 1 November	30,318	28,221
Granted during the year	12,131	7,977
Released during the year	(9,666)	(5,880)
Forfeited during the year	(702)	–
Outstanding at 31 October	32,081	30,318

TDBFG share price at 31 October 2010 was C$73 45 (2009 C$61 68) The CAD GBP exchange rate at 31 October 2010 was 1 6347 (2009 1 7762)

Certain comparative figures have been restated to reflect a correction in the accrual for share based payments

16. Obligations under leases

Operating lease agreement where the Company is lessee

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

	Land and buildings	
	2010	*2009*
	£000	*£000*
Not later than one year	–	637
After one year but not more than five years	–	2,548
After five years	–	743
	–	3,928

During the year, the Company exited an onerous lease, resulting in a release of the remaining provision

Notes to the financial statements

at 31 October 2010

17. Commitments

The Company has investment commitments in respect of unlisted securities as at 31 October 2010 of £16,802 (2009 £192,340) which can currently be drawn at any time at the discretion of the investment fund managers

18. Risk management

Objectives, policies and strategies

The principal financial risks faced by the Company are interest rate risk, liquidity risk and credit 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

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 one month, which earn applicable money market rates of interest

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 tables on page 25 are non-interest bearing and therefore not subject to interest rate risk

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

At 31 October 2010	*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	66,213	–	–	–	–	–	66,213
Deposits with ultimate parent undertaking	7,499	–	–	–	–	–	7,499
Bank loans from ultimate parent undertaking	(6,980)	–	–	–	–	–	(6,980)
	66,732	–	–	–	–	–	66,732
Floating rate	–	–	–	–	–	–	–
Interest rate sensitivity gap	66,732	–	–	–	–	–	66,732

Notes to the financial statements

at 31 October 2010

18. Risk management (continued)

Interest rate risk (continued)

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

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 16

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

Notes to the financial statements

at 31 October 2010

19. 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

	2010		2009	
	Book value	*Fair value*	*Book value restated*	*Fair value restated*
	£000	*£000*	*£000*	*£000*
Financial assets				
Investment securities	5,044	5,096	6,579	6,599
Tangible fixed assets	14	14	7	7
Debtors	9,671	9,671	14,100	14,100
Cash at bank	66,213	66,213	65,974	65,974
Financial liabilities				
Bank loans and amounts owed to group undertakings	(6,980)	(6,980)	(11,500)	(11,500)
Current account with clearing member	–	–	148	148
Accruals and deferred income	(3,216)	(3,216)	(3,260)	(3,260)
Amounts owed to ultimate parent undertaking	(448)	(448)	–	–
	70,298	70,350	72,048	72,068

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

	2010		2009	
	Book value	*Fair value*	*Book value*	*Fair value*
	£000	*£000*	*£000*	*£000*
Assets				
Index options	–	–	374	374
Index futures	–	–	–	2,204
	–	–	374	2,578
Liabilities				
Index options	–	–	(293)	(293)
	–	–	(293)	(293)

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

Notes to the financial statements

at 31 October 2010

20. 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, 60 Threadneedle Street, London EC2R 8AP

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