TD Securities Limited

Report and Audited Financial Statements

31 October 2016

Registered No: 2650118

Registered No: 2650118

Directors

P McDonald Pryer (Irish)
P Walker (British)
M Huppke (Canadian)
P Dixon (British)
M Trivedi (British)

Company Secretary

F Osuntokun (Canadian)

Auditors

Ernst & Young LLP
25 Churchill Place
London E14 5EY

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 2016.

Results and dividends

TD Securities Limited's ("the Company") results for the year are shown in the statement of comprehensive income on page 9. The total comprehensive income for the year was a gain of £841,380 (2015: loss of £114,633).

No dividend on ordinary shares was declared during 2016 and none is proposed (2015: £Nil).

Information on the principal activity, risks, uncertainties and future developments of the business are provided in the strategic report on page 4.

Going concern

The Company's management has made a forward-looking assessment (for a reasonably foreseeable period) 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 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:

P McDonald Pryer (Irish)	-	Chairman and Non-Executive Director
P Dixon (British)	-	Director
M Huppke (Canadian)	-	Director
S Nash (British)	-	Director (resigned 9 December 2015)
B Smith (American)	-	Director (resigned 3 November 2016)
P Walker (British)	-	Director (appointed 3 November 2016)
M Trivedi (British)	-	Director (appointed 12 April 2016)

According to the register of directors, no director has any interests in the share capital of the Company. The interests of the directors in the shares of The Toronto-Dominion Bank, the ultimate parent company, are as follows:

	At 1 November 2015	*Additions/Disposals during the year*	***At 31 October 2016***
B Smith	3,540	-	**3,540**
M Huppke	20	-	**20**
P Dixon	695	124	**819**
M Trivedi	-	-	**-**
P Pryer	-	-	**-**
	4,255	124	**4,379**

Directors' report (continued)

Pillar 3

Under the Capital Requirements Regulation Pillar 3 disclosure requirements are not applied to the extent that the ultimate parent undertaking produces equivalent consolidated Pillar 3 disclosures. For further information on the Pillar 3 disclosures, please see TD Bank Group's ("TDBG") 2016 Annual Report ("AR") and Supplemental Financial Information ("SFI") which can be found online at the TDBG website https://www.td.com/annual-report/ar2016/index.jsp

Remuneration disclosures can be found online at the TD Securities website:
https://www.td.com/investor-relations/ir-homepage/annual-reports/2016/index.jsp

https://www.tdsecurities.com/tds/content/GAS_LegalandDisclaimers?language=en_CA&language=en_CA

Country By Country Reporting (CBCR)

The Capital Requirements Directive IV ("CRD IV") Country by Country Reporting ("CBCR") framework is now in force for regulated financial institutions. The following table complies with this regulation for the 2016 financial year.

Name of entity	*TD Securities Limited*
Geographical location	*United Kingdom*
Turnover	*£3,887,954 (2015:£3,154,429)*
Average number of employees	*7 (2015:8)*
Profit/loss before tax	*£1,064,818 profit (2015:£122,626 loss)*
Public subsidies received	-

The Company paid corporation tax of £69,515 in 2016 (*2015: £Nil*), and received a refund of £Nil *(2015: £21,153).*

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 auditors to prepare their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, 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 auditors are aware of that information.

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.

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 10 February 2017

Strategic report

Strategy

As an international operation of a major Canadian financial institution, the primary strategic position in the region is to support TD Bank Group's North American franchise. TD Bank Group ("TDBG") maintains client relationships with a number of large multinational organisations, many of which require access to capital markets in Europe and elsewhere.

Business model

The Company maintains its own employee base in terms of both business and infrastructure personnel and also leverages the operational infrastructure that exists in both TD Bank London Branch and Toronto. The Company's turnover is generated in Europe (by staff operating from the London office); operating expenses are a combination of a) direct costs and b) allocations of overhead costs from both the London and Toronto operations.

The Company's business focuses on equities, in particular institutional equity sales. The sales team is responsible for facilitating the distribution of listed Canadian equities and initial public offerings to a range of European and Asian-based equity investors, including hedge funds, commercial and private banks, central banks, investment funds, insurance companies, pension funds, and asset/fund managers. The majority of the Company's assets are deposits held with other group companies.

Principal activity and review of the business

The Company continues to receive commissions from other group companies on the sale of Canadian and other globally exchange-listed equities to European-based institutional clients. The Company is regulated by the Financial Conduct Authority ("FCA").

The Company follows UK GAAP (United Kingdom Generally Accepted Accounting Practice) and has adopted FRS 101 Reduced Disclosure Framework for all periods presented.

The Company's key financial performance indicators during the year were as follows:

	2016	*2015*	*Change*
	£'000	*£'000*	
Turnover	3,888	3,154	23%
Operating profit/(loss)	1,065	(123)	>100%
Profit/(loss) for the financial year	842	(115)	>100%
Total shareholder's equity	74,590	73,748	1%

Turnover increased in 2016 by 23% primarily due to reduction in fees paid to ultimate parent undertaking relating to client referral volumes. This increase combined with an increase in foreign exchange gains due to favourable fluctuations in exchange rates caused the rise in operating profit.

Principal risks and uncertainties

The financial risk management objectives and policies of the Company are shown in Note 12 of the financial statements.

Future developments

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

The Company's management is currently considering the nature and extent of risks and uncertainties arising from the United Kingdom (UK) people's vote to leave the European Union (EU) and the impact on the future performance and position of the company.

Strategic report

On behalf of the board

P Dixon

Director
10 February 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report, Strategic report and the financial statements in accordance with applicable UK 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework', 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

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 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholder's Equity, the Balance Sheet and the related notes 1 to 15. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Directors' report and Strategic report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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 Strategic report and 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 Ludlam (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 17th February 2017

Statement of comprehensive income

for the year ended 31 October 2016

	Note	*2016* *£'000*	*2015* *£'000*
Turnover	4	3,888	3,154
Operating charges		(16)	(27)
Foreign exchange gain/(loss)		247	(130)
		4,119	2,997
Administrative expenses	5	(3,054)	(3,120)
Profit/(loss) on ordinary activities before taxation		1,065	(123)
Tax (expense)/credit	7	(223)	8
Profit/(loss) for the financial year		842	(115)
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		842	(115)

The accompanying notes on page 12 to 24 form an integral part of the financial statements.

Statement of changes in shareholders equity

for the year ended 31 October 2016

	Called up share capital £'000	*Profit and loss account £'000*	*Total shareholders equity £'000*
Balance as at 31 October 2015	63,000	10,748	73,748
Profit for the financial year	-	842	842
Other comprehensive income	-	-	-
At 31 October 2016	63,000	11,590	74,590

	Called up share capital £'000	*Profit and loss account £'000*	*Total shareholders equity £'000*
Balance as at 31 October 2014	63,000	10,863	73,863
Loss for the financial year	-	(115)	(115)
Other comprehensive income	-	-	-
At 31 October 2015	63,000	10,748	73,748

The accompanying notes on page 12 to 24 form an integral part of the financial statements.

Balance sheet

at 31 October 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Tangible fixed assets	8	4	5
		4	5
Current assets			
Cash and cash equivalents	9	76,553	76,204
Debtors	10	5,259	3,666
Total assets		81,812	79,870
Current liabilities			
Creditors	11	7,226	6,127
Total liabilities		7,226	6,127
Net assets		74,590	73,748
Capital and reserves			
Called up share capital	12	63,000	63,000
Profit and loss account		11,590	10,748
Total shareholder's equity		74,590	73,748

The financial statements were approved by the Board of Directors on 10 February 2017 and signed on their behalf by:

P Dixon
Director

The accompanying notes on page 12 to 24 form an integral part of these financial statements.

Notes to the financial statements

at 31 October 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

TD Securities Limited ("the Company") is domiciled in the United Kingdom. The registered office is located at 60 Threadneedle Street, London EC2R 8AP.

The Company, an authorised institution under The Financial Services and Markets Act 2000, is regulated by the Financial Conduct Authority ("FCA").

The Company is a wholly-owned subsidiary whose parent company is Toronto Dominion Holdings (UK) Limited and whose ultimate parent company is TDBG, a Canadian financial institution.

The financial statements of the Company were approved by the Board of Directors on 3 February 2017.

2. Accounting policies

Basis of preparation

The Company follows UK GAAP (United Kingdom Generally Accepted Accounting Practice) and has adopted Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework for all periods presented. The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) Paragraph 8 (k) of FRS 101, exempts a qualifying entity for the requirements in International Accounting Standard ("IAS") 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(b) Paragraph 8 (h) of FRS 101, exempts a qualifying entity for the requirements in IAS 7 to produce a statement of cash flows. The Company is claiming an exemption as the financial statements of its ultimate parent, which include a cash flow statement, are publicly available.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), unless otherwise indicated.

Going concern

The financial statements, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis.

Significant accounting policies

The preparation of financial statements in conformity with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) requires that management make estimates, assumptions and judgements that affect the application of accounting policies regarding the reported amount of assets, liabilities, revenue and expenses.

The following summary of accounting policies have been applied to all periods presented in the financial statements.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue associated with the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Turnover includes commission income earned on the sale of equity securities. The Company introduces clients to another group company who acts as Agent on behalf of the client and executes client trades in exchange for a commission. The Company earns a portion of the commission income generated for their client introduction and relationship management role in the client trade lifecycle. Commission income is recognized in income over the period in which the related service is rendered.

Interest from interest-bearing assets and liabilities is calculated using the nominal rate.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Revenue recognition (continued)

Revenue recognition policies related to financial instruments are described in the accounting policies below.

Financial instruments

An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Offsetting of financial instruments

Financial assets and liabilities are offset, with the net amount presented in the balance sheet only if the Company currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In all other situations assets and liabilities are presented on a gross basis.

Derecognition of financial instruments

Financial Assets
The Company derecognizes a financial asset when the contractual rights to that asset have expired. Derecognition may also be appropriate where the contractual right to receive future cash flows from the asset have been transferred, or where the Company retains the rights to future cash flows from the asset, but assumes an obligation to pay those cash flows to a third party subject to certain criteria.

When the Company transfers a financial asset, it is necessary to assess the extent to which the Company has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards of ownership of the financial asset have been retained, the Company continues to recognize the financial asset and also recognizes a financial liability for the consideration received. If substantially all the risks and rewards of ownership of the financial asset have been transferred, the Company will derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer. The Company determines whether substantially all the risk and rewards have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows does not change significantly as a result of the transfer, the Company has retained substantially all of the risks and rewards of ownership.

Financial Liabilities
The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms or where the terms of the existing liability are substantially modified, the original liability is derecognized and a new liability is recognized with the difference in the respective carrying amounts recognized in the balance sheet.

Foreign currencies

The Company's financial statements are presented in sterling, which is the functional and presentation currency of the Company. Monetary assets and liabilities denominated in a currency that differs from an entity's functional currency are translated into the functional currency of the entity at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated into an entity's functional currency at average exchange rates prevailing throughout the year.

Translation gains and losses are included in foreign exchange gain/(loss) on the statement of comprehensive income.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Tangible fixed assets

Depreciation of property and equipment is provided over estimated useful lives as follows:

Computer hardware	Straight line over applicable useful life
Furniture and fittings	15 years straight line

Depreciation is charged from the relevant month in the year use commences. The Company assesses its depreciable assets for impairment on a quarterly basis. When impairment indicators are present, the recoverable amount of the asset, which is the higher of its estimated fair value less costs to sell and its value-in-use, is determined. If the carrying value of the asset is higher than its recoverable amount, the asset is written down to its recoverable amount.

Share-based compensation

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 TDBG's common shares. The obligation related to share units is included under creditors.

Compensation expense is recognized based on the fair value of the share units at the grant date adjusted for changes in fair value between the grant date and the vesting date over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period, in addition to a period prior to the grant date. For the Company's share units, this period is generally equal to four years.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, the amount of which can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured based on management's best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognized as interest expense.

Income taxes

Income tax is comprised of current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related taxes are also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes. Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized.

The Company records a provision for uncertain tax positions if it is probable that the Company will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management determines they are no longer required or as determined by statute.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Pension costs

An external pension provider operates a defined contribution scheme on behalf of the Company and payments made by the Company are charged directly to the Statement of Comprehensive Income in the period to which they relate.

Segmental information

The sole class of business of the Company during the year was equity sales. The geographical segment from which the Company's equity sales income is predominantly generated is Europe.

3. Future accounting changes

The following standards have been issued under International Financial Reporting Standards "IFRS", but are not yet effective on the date of issuance of the Company's financial statements. The Company is currently assessing the impact of the application of these standards on FRS 101 and the Company's financial statements. The Company will adopt these standards when they become effective.

Financial instruments

In July 2014, the International Accounting Standards Board "IASB" issued the final version of IFRS 9, Financial Instruments (IFRS 9), which replaces the guidance in IAS 39. This final version includes requirements on: (1) classification and measurement of financial assets and liabilities; and (2) impairment of financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. IFRS 9 does not require restatement of comparative period financial statements. Entities are permitted to restate comparatives as long as hindsight is not applied. The Company's ultimate parent, is required to early adopt IFRS 9 for the annual period beginning on November 1, 2017. Given that the ultimate parent is required to early adopt, the Company will early adopt although it is not a requirement. Consequential amendments were made to IFRS 7, Financial Instruments: Disclosures (IFRS 7) introducing expanded qualitative and quantitative disclosures related to IFRS 9, which are required to be adopted for the annual period beginning on November 1, 2017, when the Company first applies IFRS 9. The Company is currently assessing the impact of adopting this standard.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15), which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. The standard also requires additional qualitative and quantitative disclosures. In July 2015, the IASB confirmed a one-year deferral of the effective date to annual periods beginning on or after January 1, 2018, which will be November 1, 2018, for the Company, and is to be applied retrospectively. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Company is currently assessing the impact of adopting this standard.

Share-based payment

In June 2016, the IASB published amendments to IFRS 2, Share-based Payment, which provide additional guidance on the classification and measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, and are to be applied prospectively; however, retrospective application is permitted in certain instances. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard.

Notes to the financial statements

at 31 October 2016

4. Turnover

	2016 £'000	2015 £'000
Commission income from other group companies on sale of institutional equities	3,127	3,101
Commission income from third parties on sale of institutional equities	762	647
Interest receivable on cash at bank	-	12
Interest receivable on deposits with ultimate parent undertaking	11	28
Interest receivable on deposits with other group companies	311	301
Interest payable on bank loans from ultimate parent undertaking	(18)	-
Fees payable to other group companies	-	(11)
Fees payable to ultimate parent undertaking	(305)	(924)
	3,888	3,154

Certain comparative amounts have been reclassified to conform to current year presentation. For the year ending 31 October 2015, an amount of £103,517 was reclassified from fees payable to other group companies to commission income from other group companies on sale of institutional equities. Additionally, an amount of £(820,664) was reclassified from fees payable to other group companies to fees payable to ultimate parent undertaking.

5. Administrative expenses

	2016 £'000	2015 £'000
Personnel expenses		
Wages and salaries	1,996	2,277
Social security costs	213	25
Pension costs	83	88
	2,292	2,390
Other expenses		
Other administrative expenses	703	665
Auditor's remuneration - audit services	50	49
Auditor's remuneration - CASS audit	8	8
Auditor's remuneration - non audit services	-	7
Depreciation	1	1
	762	730
Total administrative expenses	3,054	3,120

	2016 No.	2015 No.
The average monthly number of employees during the year is as follows:		
Front office staff	5	6
Support staff	2	2
	7	8

The executive directors receive no remuneration in respect of their services to the Company. Although none of the Company's directors is a director of the ultimate parent company, they receive remuneration in respect

Notes to the financial statements

at 31 October 2016

of their services to the group as a whole. No recharges have been made to the Company relating to the remuneration of directors during the year (2015: £Nil).

No pension contributions under either a defined contribution or defined benefit scheme were accrued for any director in 2016 (2015: £Nil) in respect of their role with the Company.

During the year, no director was advanced a loan (2015: £Nil) in respect of their role with the Company.

6. 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 TDBG's 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 Toronto Stock Exchange (TSX) on the trading day preceding the grant date.

The Human Resources Committee ("HRC") of the Board of TDBG has the discretion to adjust the number of units within a range of +/-20% at maturity based on considerations of risk outcomes during 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 three year retrospective period for non-Material Risk Takers and a seven year retrospective period for those identified as Material Risk Takers. 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 Company related to such share units awarded and an incentive compensation expense is recognised in the profit and loss account over the vesting period and an additional period prior to the grant date. 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. For the year ended 31 October 2016, the Company recognised compensation expense for these plans of £398,698 (2015: £248,046).

	2016 *No. of units*	*2015* *No. of units*
Outstanding at 1 November	**20,162**	17,546
Granted during the year	**9,288**	14,766
Released during the year	**(8,105)**	(12,150)
Outstanding at 31 October	**21,345**	20,162

TDBG share price at 31 October 2016 was C$60.86 (2015: C$53.68). The CAD/GBP exchange rate at 31 October 2016 was 1.6412 (2015: 2.0158).

Notes to the financial statements

at 31 October 2016

7. Taxation

Tax charged in the statement of comprehensive income:	***2016***	***2015***
	£'000	***£'000***
Current income tax:		
UK corporation tax	274	(48)
Amounts overprovided in previous years	(16)	(27)
Total current income tax	258	(75)

The deferred tax included in the Company balance sheet is as follows:	*2016*	*2015*
	£'000	*£'000*
Deferred tax expense/(recovery):		
Origination and reversal of temporary differences	(49)	30
Adjustments in respect of prior periods	-	24
Impact of change in tax laws and rates	14	13
Total deferred tax	(35)	67
Tax expense/(recovery) in the statement of comprehensive income	223	(8)

	2016	*2015*
	£'000	*£'000*
Deferred tax asset		
Share based payment	141	102
Capital allowances	19	24
Total deferred tax asset	160	126

Reconciliation of the total tax charged:

The total tax assessed for the year is higher than the hybrid rate applying in the UK of 20 % (2015 hybrid rate of 20.41%). The differences are explained below:

	2016	*2015*
	£'000	*£'000*
Profit/(loss) before taxation	1,065	(123)
Tax calculated using hybrid rate of corporation tax in the UK of 20% (2015: hybrid rate of 20.41%)	213	(25)
Expenses not deductible for tax purposes	12	6
Impact of change in tax laws and rates	14	13
Adjustments to tax charge in respect of prior years	(16)	(2)
Total tax expense/(recovery) reported in the statement of comprehensive income	223	(8)

Change in corporation tax rate

The headline rate of UK corporation tax reduced from 21% to 20% from April 2015 and will further reduce to 19% from April 2017 and 17% from April 2020. The above deferred tax items have been remeasured based on the expected year they will unwind using the rates substantively enacted at 31 October 2016.

Recognised deferred tax

As at 31 October 2016, the Company had P&L timing differences of £943,781 (2015: £699,367), giving a deferred tax asset of £160,443 (2015: £125,886).

Notes to the financial statements

at 31 October 2016

Unrecognised deferred tax

The company has not provided for deferred tax on capital losses carried forward of £1,262,971 (2015: £1,262,971) at the balance sheet date. If an asset were provided it would equate to £214,705 (2015: £227,335).

8. Tangible fixed assets

	Computer hardware £'000	Furniture and fittings £'000	Total £'000
Cost			
As at 1 November 2015	15	5	20
Additions during the year	-	-	-
As At 31 October 2016	15	5	20
Amortisation			
As at 1 November 2015	(13)	(2)	(15)
Charge for the year	(1)	-	(1)
As At 31 October 2016	(14)	(2)	(16)
Net book value as at 31 October 2016	1	3	4
Net book value as at 31 October 2015	2	3	5

9. Cash and cash equivalents

	2016 £'000	2015 £'000
Deposits with group companies	76,553	76,204

Deposits with group companies are held on overnight deposit and are interest bearing

10. Debtors

	2016 £'000	2015 £'000
Deposits with ultimate parent undertaking	3,954	494
Amounts owed by ultimate parent undertaking	203	2,522
Amounts owed by other group companies	942	524
Deferred tax asset (Note 7)	160	126
	5,259	3,666

Deposits with ultimate parent undertaking are held on overnight deposit and are interest bearing. Amounts owed by ultimate parent undertaking and group companies are repayable on demand and are non-interest bearing.

Notes to the financial statements

at 31 October 2016

11. Creditors

	2016 £'000	2015 £'000
Bank loans from ultimate parent undertaking	4,583	673
Amounts owed to ultimate parent undertaking	772	4,062
Amounts payable to other group companies	44	29
Accruals and deferred income	1,554	1,278
Taxation payable	273	85
	7,226	6,127

Bank loans from ultimate parent undertaking are held on overnight deposit and are interest bearing. Other amounts owed to ultimate parent undertaking and amounts payable to other group companies are repayable on demand and are non-interest bearing. All external supplier payments are settled on presentation of invoice. Internal supplier payments are settled on demand.

The Company paid corporation tax of £69,515 in 2016 (2015: £Nil).

Certain comparative amounts have been reclassified to conform to current year presentation. An amount of £848,812 was reclassified from amounts payable to other group companies to amounts owed to ultimate parent undertaking.

12. Share capital

	2016 £'000	2015 £'000
Authorized shares:		
260,000,000 (2015: 260,000,000) Ordinary shares of £1 each	260,000	260,000

	2016 £'000	2015 £'000
Allotted, called-up and fully paid:		
63,000,000 (2015: 63,000,000) Ordinary shares of £1 each	63,000	63,000

On 9 March 2015 the Board approved the conversion of all the redeemable preference shares into ordinary shares. This was done in order to comply with UK capital requirements. This was a paper conversion only and there was no change in the total investment and no cash flows from the transaction.

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 year ended 31 October 2016.

Notes to the financial statements

at 31 October 2016

12. Share capital (continued)

Regulatory capital

	2016	*2015*
	£'000	*£'000*
Tier 1 capital	74,590	73,833
Tier 2 capital	-	-
	74,590	73,833
Credit risk	1,323	880
Market risk – foreign exchange	-	322
Operational risk	541	546
Total Pillar 1	1,864	1,748
Pillar 2	1,584	1,560
Total capital required	3,448	3,308

Regulatory capital consists of Tier 1 capital, which comprises called up share capital and retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, of which the amount is Nil for the Company as at 31 October 2016 and 31 October 2015.

13. Risk management

Objectives, policies and strategies

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

The Company 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.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; there are, however, separate independent bodies responsible for managing and monitoring risks.

Risk committee

The Risk Committee of the ultimate parent undertaking has the overall responsibility for the development of group risk strategy and implementation principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk management

The Company reports to the Group Risk Management Department of the ultimate parent undertaking, which is responsible for implementing and maintaining risk-related procedures to ensure an independent control process and for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Treasury

The Finance Department of the Company is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for funding and managing the liquidity risks of the Company.

Notes to the financial statements

at 31 October 2016

13. Risk management (continued)

Internal audit

Using a risk-based approach, risk management processes throughout the Company are audited on a periodic basis by the Internal Audit Department of the ultimate parent undertaking, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board.

Risk measurement and reporting systems

Monitoring and controlling risk is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment in which the Company operates as well as the level of risk that the Company is willing to accept. In addition, the Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from daily operations is examined and processed in order to analyse, control and identify risks. This information is presented and shared among the Board of Directors and the Company's senior management. The reporting includes aggregate credit exposure, hold-limits exceptions and risk profile changes.

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, which earn applicable money market rates of interest. For both 2016 and 2015, all interest rate sensitive instruments have maturity dates within one month. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

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 contractual maturity date or earliest available date on which repayment can be demanded where relevant, is set out in Notes 9 and 10.

Credit risk

Credit risk is defined as the potential for financial loss if a counterparty in a transaction fails to meet its obligations in accordance with agreed terms. The Company's exposure to credit risk 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. The majority of the Company's credit risk is with other group companies.

Foreign currency risk

Foreign currency risk refers to losses that could result from changes in foreign currency exchange rates. The Company's exposure to foreign currency risk occurs where assets and liabilities are denominated in currencies other than Sterling. The Group Treasury function is responsible for managing non-trading foreign exchange risk, with oversight from the ultimate parent, namely the TDBG's Board of Directors. The following table demonstrates the sensitivity to a reasonably possible change, set at 20%, in the Sterling exchange rate against the Canadian Dollar, Euro and US Dollar exchange rates, with all other variables held constant, to the Company's profit before tax ("PBT"). This table discloses absolute values for the potential exchange rate movements at 31 October:

Notes to the financial statements

at 31 October 2016

13. Risk management (continued)

	2106		*2015*	
	Increase/ Decrease	*PBT £000*	*Increase/ Decrease*	*PBT £000*
Canadian Dollars	+/-20%	13	+/-10%	703
Euro	+/-20%	3	+/-10%	-
US Dollars	+/-20%	36	+/-10%	1

The stress factor used has increased from 10% at 31 October 2015 to 20% at 31 October 2016 to reflect the impact of the current economic environment on foreign exchange rates.

14. 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.

	2016		*2015*	
	Book value	*Fair value*	*Book value*	*Fair value*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Deposits with other group companies	76,533	76,533	76,204	76,204
Deposits with ultimate parent undertaking	3,954	3,954	494	494
Amount owed by ultimate parent undertaking	203	203	2,522	2,522
Amount owed by other group companies	942	942	524	524
	81,632	81,632	79,744	79,744
Financial liabilities				
Bank loans and amounts owed to group undertakings	4,583	4,583	673	673
Amounts owed to ultimate parent undertaking	772	772	4,062	4,062
Amounts payable to other group companies	44	44	29	29
Accruals and deferred income	1,554	1,554	1,278	1,278
	6,953	6,953	6,042	6,042
Net financial assets and liabilities	74,679	74,679	73,702	73,702

The book values are regarded as reasonable approximations of the fair value.

Certain comparative amounts have been reclassified to conform to current year presentation.

Notes to the financial statements

at 31 October 2016

15. Ultimate parent undertaking and controlling party

The immediate parent company and the parent undertaking of the smallest group of which the Company forms part of is Toronto Dominion Holdings (UK) Limited, which is incorporated in the United Kingdom. Copies of its financial statements may be obtained from Toronto Dominion Holdings (UK) Limited, 60 Threadneedle Street, London EC2R 8AP.

The Company's ultimate parent undertaking, 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.