

TD Securities Limited

Report and Audited Financial Statements

31 October 2005

 ERNST & YOUNG



TD Securities Limited

Registered No: 2650118

Directors

M Walton (British)

M Singh (Canadian)

J White (British)

T Hill (British)

D Beever (British)

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

Triton Court

14/18 Finsbury Square

London EC2A 1DB

 ERNST & YOUNG

Directors' report

The directors submit their report and audited financial statements for the year ended 31 October 2005.

Principal activity

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

The company is regulated by the Financial Services Authority.

Directors and their interests

The directors of the company who served during the year are as follows:

M Walton (British)	- Managing Director and Chairman (appointed 1 August 2005)
D Beever (British)	- Director (appointed 5 July 2005)
M Fedder (German)	- Managing Director and Chairman (resigned 17 June 2005)
M Singh (Canadian)	- Finance Director
J White (British)	- Legal and Compliance Director, Acting Chairman from 17 June to 1 August 2005
T Hill (British)	- Director
M Newman (Canadian)	- Director (resigned 9 December 2004)
M Wells (British)	- Director (appointed 9 December 2004, resigned 29 April 2005)

None of the directors had any interest in the share capital of the company or of any other group company, which is incorporated in the United Kingdom.

Business review and future developments

The company's results for the year are set out on page 5. The profit on ordinary activities after taxation for the year was £1,200,000 (2004 - loss £3,897,000). It is expected that the principal activity of the company will continue for the foreseeable future.

No dividend on redeemable preference shares was declared or paid during the year (2004 - Nil). No dividend on ordinary shares was declared and none is proposed (2004 - Nil).

Charitable donations

During the year the company made charitable donations of £1,958 (2004 - £1,942).

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



M Singh

Finance Director

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of TD Securities Limited

We have audited the company's financial statements for the year ended 31 October 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

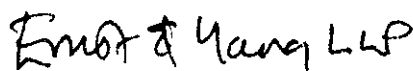
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 October 2005 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor

30 JAN 2006

Profit and loss account

for the year ended 31 October 2005

	Notes	2005 £000	2004 £000
Turnover	2	3,800	2,239
Other operating charges		(509)	(685)
		<u>3,291</u>	<u>1,554</u>
Administrative expenses:			
Other administrative expenses		(2,358)	(4,429)
Provision for impairment in value of investment securities	6	(200)	(658)
		<u>733</u>	<u>(3,533)</u>
Operating profit/(loss)	3	733	(3,533)
Interest payable and similar charges	4	(172)	(58)
Other finance costs	12	(97)	(101)
		<u>464</u>	<u>(3,692)</u>
Profit/(loss) on ordinary activities before taxation		464	(3,692)
Tax on profit/(loss) on ordinary activities	5	736	(205)
		<u>1,200</u>	<u>(3,897)</u>
Retained profit/(loss) for the financial year	14	1,200	(3,897)

The above results are derived solely from continuing operations.

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

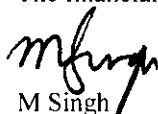
Balance sheet

at 31 October 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible fixed assets	7	87	115
Fixed asset investment securities	6	5,901	4,459
		<u>5,988</u>	<u>4,574</u>
Current assets			
Inventory – stock and options long positions	8	6,385	11,948
Debtors	9	17,431	11,572
Cash at bank	10	51,256	48,907
		<u>75,072</u>	<u>72,427</u>
Creditors: amounts falling due within one year	11	(15,990)	(13,099)
Net current assets		<u>59,082</u>	<u>59,328</u>
Total assets less current liabilities		<u>65,070</u>	<u>63,902</u>
Provision for liabilities and charges	12	(2,609)	(2,641)
Net assets		<u>62,461</u>	<u>61,261</u>
Capital and reserves			
Called up share capital	13	63,000	63,000
Profit and loss account	14	(539)	(1,739)
Total shareholders' funds	15	<u>62,461</u>	<u>61,261</u>

Total shareholders' funds include non-equity interest of £62,000,000 (2004 - £62,000,000)

The financial statements were approved by the directors on 30.10.06 and signed on their behalf by:



M Singh

Finance Director

The notes on pages 7 to 15 form an integral part of these financial statements

Notes to the financial statements

at 31 October 2005

1. Accounting policies

Accounting convention

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

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

Interest receivable and similar income

Interest receivable and similar income represents interest receivable from investments and cash deposits and includes gross dividends.

Fixed asset investment securities

Investments in securities are held for the long term as a matter of investment policy, and are accounted for as fixed asset investments. Fixed asset investments are stated at cost less any provision for impairment. The Board regularly reviews each individual investment of the company and provides for any permanent diminution in value in order to write assets down to their recoverable amount, where necessary.

Tangible fixed assets

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

Computers	3 years straight line
Software	30% reducing balance
Fixtures and Fittings	20% reducing balance
Other equipment	20% reducing balance

Stock and options positions

Stock and options positions related to exchange traded financial instruments are marked to market. The gains or losses resulting from the application of this policy are taken into the profit and loss account, which represents a departure, as far as gains are concerned, from the Companies Act 1985. The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the group's trading activities in accordance with Section 226 (5) of the Companies Act 1985.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date arising from transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Foreign currencies

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

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

Notes to the financial statements

at 31 October 2005

1. Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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 Financial Reporting Standards (FRS) 8 "Related Party Disclosures" the company has taken advantage of the exemptions permitted for related party transactions as a result of being a wholly owned subsidiary of a Group, where the parent prepares consolidated financial statements which include the company and which are publicly available.

Cash flow statement

The company has not produced a cash flow statement. In accordance with FRS 1 (revised 1996), the company is claiming an exemption as the financial statements of its ultimate parent are publicly available.

Segmental information

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

Operating leases

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

2. Turnover

	2005 £000	2004 £000
Trading profit/(loss) earned from exchange traded financial instruments	420	(243)
Interest receivable and similar income	2,471	2,163
Interest received from ultimate parent undertaking	377	244
Fee and commission income	507	-
Other income	25	75
	<u>3,800</u>	<u>2,239</u>

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

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

	2005 £000	2004 £000
Interest payable in relation to trading activity	63	224
Other charges from ultimate parent undertaking	296	247
Depreciation (note 7)	38	130
Auditors' remuneration – audit services	19	17
– non-audit services	65	-
Foreign exchange losses/(gains)	90	(360)

Notes to the financial statements

at 31 October 2005

3. Profit/(loss) on ordinary activities before taxation (continued)

Auditor's remuneration for audit services in 2005 includes £13,558 (2004 - £20,445) relating to the fee incurred for the year ended 31 October 2005 and £5,445 relating to an under accrual in the prior year in respect of the prior year auditors.

No emoluments were paid to directors during the year (2004 - Nil) in respect of their role as directors of the company. Pension benefits under defined contributions/defined benefit schemes were not accruing to any director in respect of their role as directors of the company. The average number of employees during the year was 10 (2004 - 17), staff costs for the year were £1,388,000 (2004 - £2,213,000).

4. Interest payable and similar charges

	2005 £000	2004 £000
Loans from ultimate parent undertaking	172	58

5. Taxation

	2005 £000	2004 £000
Current tax:		
Current year	(471)	-
Adjustments in respect of prior periods	(265)	(163)
Total current tax charge	(736)	(163)
Deferred tax	-	368
Tax (credit)/charge on profit/(loss) on ordinary activities	(736)	205

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

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before tax	464	(3,692)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2004 - 30%)	139	(1,108)
Effects of:		
Timing differences	(610)	-
Deferred tax asset not taken with respect to current years	-	1,108
Adjustments to tax charge in respect of previous years	(265)	(163)
Tax charge for current year	(736)	(163)

Notes to the financial statements

at 31 October 2005

5. Taxation (continued)

The value of the potential deferred tax asset, which represents a deduction on the equity investment provisions (£1,869,000) and tax losses brought forward (£9,687,000), is £3,467,000. It is the opinion of the directors that future profits may not be sufficient to absorb the potential deferred tax asset and as such no allowance for a deferred tax asset has been made.

6. Fixed assets – investment securities

	<i>Unlisted investments £000</i>
Cost	
At 1 November 2004	6,140
Exchange adjustments on opening balance	(81)
Capital invested in the year	2,710
Capital returned in the year	(999)
	<hr/>
At 31 October 2005	7,770
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Provisions	
At 1 November 2004	1,681
Exchange adjustments on opening balance	(12)
Charge for year	200
	<hr/>
At 31 October 2005	1,869
	<hr/>
Net book value at 31 October 2005	5,901
	<hr/>
Net book value at 31 October 2004	4,459
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A provision for impairment of certain investment securities has been established based on the directors' assessment of their recoverable amount. The directors have reviewed the investment portfolio and do not consider there to be any unprovided instances of permanent impairment, other than the provisions already established.

Notes to the financial statements

at 31 October 2005

7. Tangible fixed assets

	<i>Computer software and hardware £000</i>
Cost	
At 1 November 2004	246
Additions during the year	10
Disposals during the year	—
At 31 October 2005	<u>256</u>
Accumulated depreciation	
At 1 November 2004	(131)
Charge for the year	(38)
Disposals during the year	—
At 31 October 2005	<u>(169)</u>
Net book value at 31 October 2005	<u>87</u>
Net book value at 31 October 2004	<u><u>115</u></u>

8. Inventory

	<i>2005 £000</i>	<i>2004 £000</i>
Long positions:		
Stock and options	6,385	11,948
Short positions (Note 11):		
Stock and options	6,873	8,506

Notes to the financial statements

at 31 October 2005

9. Debtors

	2005 £000	2004 £000
Current account with clearing member	3,895	611
Amounts owed by ultimate parent undertaking	9,195	7,957
Amount receivable from a fellow subsidiary in respect of group relief	555	66
Amount receivable from immediate parent in respect of group relief	562	75
Taxation recoverable	3,103	2,699
Prepayments and accrued income	121	83
Other debtors	—	81
	<u>17,431</u>	<u>11,572</u>

Amounts owed by the ultimate parent undertaking are repayable on demand and are non-interest bearing.
The current account with the clearing member is pledged as a security against trading positions.

10. Cash at bank

	2005 £000	2004 £000
Cash held with banks	51,256	48,907

11. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank loans and overdraft with ultimate parent undertaking	7,194	2,941
Current account with clearing member	—	2
Inventory – short positions (Note 8)	6,873	8,506
Amounts owed to ultimate parent undertaking	819	377
Amount payable to a fellow subsidiary in respect of group relief	507	—
Amount payable to immediate parent in respect of group relief	66	—
Accruals and deferred income	531	1,273
	<u>15,990</u>	<u>13,099</u>

Bank loans and overdraft with ultimate parent undertaking are repayable on demand and are interest bearing.

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

Notes to the financial statements

at 31 October 2005

12. Provision for liabilities and charges

	£000
Provisions at 1 November 2004	2,641
Provision released against current year charges	(129)
Other finance costs - Unwind of discount on provision	97
Provisions at 31 October 2005	2,609

The provision at 31 October 2005 relates to vacant office space and is expected to be fully utilised by fiscal 2016. The provision relates to future rental shortfalls in respect of sub-let property, and has been recognised on a discounted basis taking into account the lease rentals payable net of lease rentals receivable on the sub-let property over the term of the underlying lease agreements.

13. Called up share capital

	2005 £000	2004 £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
	<u>260,000</u>	<u>260,000</u>
Allotted and fully paid:		
1,000,000 Ordinary shares of £1 each	1,000	1,000
62,000,000 Redeemable preference shares of £1 each	62,000	62,000
	<u>63,000</u>	<u>63,000</u>

The redeemable preference shares are redeemable at par at the option of the issuer on the following dates:

25,000,000 redeemable preference shares of £1 each issued 27 September 1991 redeemable on 31 October 2021.

4,000,000 redeemable preference shares of £1 each issued 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 have the right to receive a variable non cumulative preferential dividend between the rates of 1 per cent and 20 per cent per share per annum.

The redeemable preference shares have attached to them the same rights regarding voting and payment on a winding up as are attached to ordinary shares.

Notes to the financial statements

at 31 October 2005

14. Profit and loss reserve

	2005 £000	2004 £000
Balance brought forward	(1,739)	2,158
Profit/(loss) for the year	1,200	(3,897)
	<u>(539)</u>	<u>(1,739)</u>

15. Reconciliation and analysis of shareholder's funds

	2005 £000	2004 £000
Opening shareholder's funds	61,261	65,158
Profit/(loss) for the year	1,200	(3,897)
Closing shareholder's funds	<u>62,461</u>	<u>61,261</u>
Attributable to:		
Ordinary share capital	1,000	1,000
Profit and loss reserve (note 14)	(539)	(1,739)
Total equity interest	<u>461</u>	<u>(739)</u>
Attributable to non-equity interest (redeemable preference shares)	62,000	62,000
	<u>62,461</u>	<u>61,261</u>

16. Contingent liabilities and commitments

The company has an investment commitment of £2,059,344 in respect of unlisted securities as at 31 October 2005 (2004 - £4,853,914) which can currently be drawn at any time at the discretion of the investment.

TD Securities Limited is committed to pay £847,000 (2004 - £847,000) in the next year in respect of an operating lease of a building that expires in more than five years (2004 - more than five years). TD Securities Limited has sub-let this building and will recover £787,000 (2004 - £692,000) against the commitment due in the next year.

There are no other contingent liabilities and commitments as at 31 October 2005 and in the preceding year.

Notes to the financial statements

at 31 October 2005

17. Ultimate parent undertaking

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

The company's ultimate parent company, controlling party and the parent of the largest group to consolidate the financial statements of the company is The Toronto-Dominion Bank, which is incorporated in Canada. Copies of The Toronto-Dominion Bank's group 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.