

TD Bank Europe Limited
Directors' Report and Audited Financial Statements
for the year ended 31 October 2002

Registered Number 2734652



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TD Bank Europe Limited

Directors' Report and Financial Statements for the year ended 31 October 2002

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TD Bank Europe Limited

Directors' Report for the year ended 31 October 2002

The directors submit their report and audited financial statements for the year ended 31 October 2002.

Principal Activity

The company, an authorised institution under The Financial Services and Markets Act 2000, carries on the business of corporate banking.

Directors

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

Mr J M Bott (British)	- Chairman (Resigned 4 February 2002)
Mr. M Fedder (German)	- Director (Appointed 30 January 2002), Chairman and Managing Director (appointed 4 February 2002)
Mr G W Piercey (Canadian)	- Finance Director
Mr K B Foxcroft (Canadian)	- Director
Mr J White (British)	- Legal and Compliance Director
Mr T Spencer (Canadian)	- Director
Mr. T. Hill (British)	- Director (Appointed 30 January 2002)
Mr T W Bull (British)	- Director (Resigned 19 July 2002)

Subsequent to the year-end, Miss Elizabeth Merica was appointed as a director of the company at a meeting held on November 27, 2002 and Mr Mark Newman was appointed as a director of the company on January 28, 2003.

Business Review and Future Developments

The company's results for the year are set out on page 5. The loss on ordinary activities after taxation for the year was £43,308,000 (Restated 2001: Profit £23,500,000).

No Redeemable Preference dividends were declared and paid during the year (2001: Nil). No dividend on Ordinary Shares was declared and none is proposed (2001: Nil).

The company has maintained its position in the market. 2002 was a difficult year for the company as significant provisions for doubtful debts were established as a result of deteriorating market conditions, primarily in the telecommunications and utilities industry sectors. The directors are confident that the provisions established at 31 October 2002 are adequate and are optimistic that the company will return to profitability in 2003. The company does not anticipate any changes in principal activity in the forthcoming year.

Directors' Interests

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.

One of the directors, TW Bull, was advanced a loan during the year of £ 2,080 (2001: £ 2,420). The amount owing to the company at the balance sheet date amounted to £ Nil (2001: £ 651). No interest due on this loan was outstanding at the balance sheet date and no provision for non-payment was required.

TD Bank Europe Limited

Directors' Report for the year ended 31 October 2002 (continued)

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, to a limited liability partnership (LLP) from 1 January 2003, it is the intention of PricewaterhouseCoopers to resign as auditors of the company. A resolution to appoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next Annual General Meeting.

By order of the Board



J White
Director

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

28 January 2003

TD Bank Europe Limited

Independent Auditors' Report to the Members of TD Bank Europe Limited

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

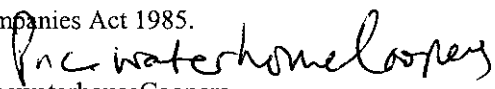
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

TD Bank Europe Limited

Independent Auditors Report to the Members of TD Bank Europe Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 October 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

28 January 2003

TD Bank Europe Limited

Profit and loss account for the year ended 31 October 2002

		2002	<i>As restated</i> 2001
	Notes	£000	£'000
Interest receivable and similar income	2	55,505	116,116
Interest payable and similar charges	3	(36,572)	(88,344)
Net interest income		18,933	27,772
Fees and commissions receivable	4	11,937	12,282
Operating income		30,870	40,054
Administrative expenses		(2,129)	(2,447)
Other operating expenses		(6,847)	(508)
Operating profit before provisions	5	21,894	37,099
Provisions for bad and doubtful debts	9	(84,087)	(3,200)
(Loss) / Profit on Ordinary Activities Before Taxation		(62,193)	33,899
Tax on Loss / Profit on Ordinary Activities	8	18,885	(10,399)
Retained (Loss) / Profit for the financial year	17	(43,308)	23,500

The above results are derived solely from continuing operations.

The loss for the year as stated above is not different from the result on an unmodified historical cost basis.

There were no recognised gains or losses other than the loss for the year quoted above, and therefore no separate statement of total recognised gains and losses has been presented.

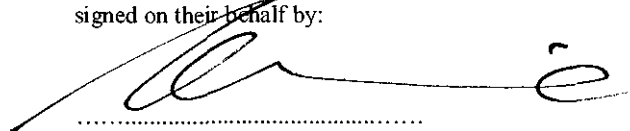
The notes commencing on page 7 form part of these financial statements.

TD Bank Europe Limited

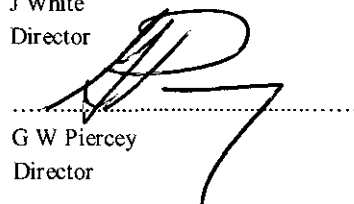
Balance Sheet as at 31 October 2002

		<i>As restated</i>
	2002	2001
Notes	£000	£'000
ASSETS		
Loans and advances to banks	10/20 1,135,973	1,093,208
Loans and advances to customers	11/20 659,163	654,991
Other debtors	12 22,890	9,052
Total Assets	1,818,026	1,757,251
LIABILITIES		
Deposits by banks	13 1,428,851	1,315,082
Other liabilities	14 6,735	16,421
	1,435,586	1,331,503
Total liabilities		
Shareholder's funds		
Called up share capital	16 362,601	367,253
Profit and loss account	17 19,839	58,495
Total Shareholder's Funds		
including non-equity interest of £337,039,000 (2001 : £339,766,000)	18 382,440	425,748
Total Liabilities and Shareholder's Funds	1,818,026	1,757,251
MEMORANDUM ITEM		
Commitments		
Undrawn committed facilities	19 1,398,706	1,724,149

The financial statements commencing on page 5 were approved by the Directors on 28 January 2003 and signed on their behalf by:



J White
Director



G W Piercy
Director

TD Bank Europe Limited

1 Accounting Policies

Accounting Convention

These financial statements have been prepared under the historical cost convention and in accordance with the requirements of Schedule 9 of the Companies Act 1985 relating to banking companies, applicable Accounting Standards and Statements of Recommended Practice issued by the British Bankers Association.

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

(a) Fees and commissions receivable

Fees and commissions receivable arise from lending activities in Europe. Cost related fees are matched with costs of initiation or ongoing administration of the loan. Other fees are recognised over the life of the loan on a constant yield basis.

(b) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where 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 have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax assets and liabilities recognised have not been discounted. This represents a change of accounting policy.

During the year the company changed the accounting policy with respect to deferred tax to adopt a full provisioning basis in accordance with FRS 19. The impact of this change was to recognise a previously unrecorded deferred tax asset at 31 October 2001 of £1,290,000 and increasing net assets and shareholder's funds at that date by an equivalent amount. This change also had the effect of reducing the tax charge for the prior year by £960,000, and increasing retained profit after tax for that period by a corresponding amount.

(c) Loans and advances and provision for bad and doubtful debts

Loans and advances are stated at the principal amounts outstanding, net of provisions for losses on loans and advances.

Provisions for losses on loans and advances are based on evaluation by the directors of their collectability. Specific provisions are raised against debts whose recovery has been identified as doubtful. A general provision is made in respect of losses, which although not yet specifically identified, are known from experience to be present in any portfolio of bank advances.

Estimates of losses on loans and advances require the exercise of judgement and the use of assumptions. The principal factors considered in determining the loan loss provision are the composition and quality of the loan portfolio, the liability of the individual borrowers to repay the loans, past performance of the

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

1 Accounting Policies (continued)

individual loans, existence of overdue interest or principal repayments and, in the event of default, the value and adequacy of collateral/security.

(d) Foreign currencies

For reporting purposes, 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. Foreign exchange differences relating to the company's share capital are taken directly to profit & loss account reserves (see note 17). Transactions are translated into Sterling at spot rates of exchange prevailing at the balance sheet date. These rates are not materially different from the average rates of exchange prevailing during the period. Foreign exchange gains or losses are dealt with through the profit and loss account as other operating income or expense (see note 5).

(e) Financial instruments

The criteria required for an instrument to be classified as a hedge are that the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged and which results from potential movements in interest rates and exchange rates; and adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flow being hedged must be established at the outset of the transaction.

All interest rate related instruments, which are designated as hedges are valued on an equivalent basis to the underlying assets, liabilities, or positions. Cash flows arising in relation to such instruments are accounted for on an accruals basis. Where a hedge is terminated early, the realised gain or loss is amortised over the residual life of the underlying instrument. If the underlying instrument is redeemed, the remaining hedge cash flows are marked to market and immediately recognised in the profit and loss account. Amounts accrued on hedging instruments are included within prepayments or other liabilities.

(f) 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 profit and loss account.

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

1 Accounting Policies (continued)

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 parent prepares consolidated financial statements which include the company and which are publicly available.

Cash flow statement

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

Segmented Information

The sole class of business for the company during the period was corporate banking. The sole geographical segment from which the company has operated is the United Kingdom. Consequently, no segmental analysis of the company's revenue and assets is required.

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

2 Interest receivable and similar income

	2002	2001
	£000	£000
Interest received on loans to customers	31,795	66,431
Interest received from ultimate parent undertaking	23,710	49,685
	55,505	116,116

3 Interest payable and similar charges

	2002	2001
	£000	£000
Interest payable on loans from parent undertaking	2,453	4,904
Interest payable on loans from ultimate parent undertaking	25,642	47,832
Interest payable on deposits by customers	8,477	35,608
	36,572	88,344

4 Fees and commissions receivable

	2002	2001
	£000	£000
Loan origination fees received	7,921	8,328
Other fees receivable	2,868	2,845
Other income from group undertakings, including commissions	1,148	1,109
	11,937	12,282

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

5 Operating Profit (Loss) before Provisions

Operating profit (loss) before provisions is stated after (crediting) / charging:

	2002	2001
	£000	£000
Other charges payable to group undertakings	328	27
Auditor's remuneration – audit services	141	35
– non-audit services	11	7

6 Directors' Emoluments

	2002	2001
	£000	£000
Emoluments	344	179
Pension contributions	8	10
	352	189

The total remuneration and benefits of the highest paid director were £351,928.

Pension contributions under a defined contribution scheme were accrued in respect of one director (2001: one).

During the year, one of the directors was advanced a loan, on commercial terms, amounting to £ 2,080 (2001: £ 2,420). The amount owing to the company at 31 October 2002 was £ Nil (2001: £ 651). No interest due on this loan was outstanding at the balance sheet date and no provision for non-payment was required.

7 Employees

	2002	2001
	£000	£000
Wages and salaries	1,176	1,870
Social security costs	139	134
Other pension costs	68	82
	1,383	2,086

The average number of employees during the year was 12 (2001: 12).

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

8 Taxation

	<i>As restated</i>	
	2002	2001
	£000	£000
Current tax:		
UK Corporation tax on profits of the year	(4,797)	11,359
Adjustments in respect of previous years	(227)	-
Total current tax (credit) / charge	<u>(5,024)</u>	<u>11,359</u>
Deferred tax:		
Origination & reversal of timing differences	(13,861)	(960)
Total deferred tax (credit) / charge	<u>(13,861)</u>	<u>(960)</u>
Tax on (loss) / profit on ordinary activities	<u>(18,885)</u>	<u>10,399</u>

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

	2002	2001
	£000	£000
(Loss) / profit on ordinary activities at the UK tax rate 30% (2001: 30%)	(18,658)	10,170
Timing differences in respect of general provisions	-	960
Disallowable costs and other items	-	229
Unrelieved losses	13,861	-
Adjustments to tax charge in respect of previous year	(227)	-
Total current tax (credit) / charge	<u>(5,024)</u>	<u>11,359</u>

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

9 Provision for Bad and Doubtful Debts

	2002			2001		
	Specific	General	Total	Specific	General	Total
	£000	£000	£000	£000	£000	£000
Balance at beginning of year	-	4,300	4,300	-	1,100	1,100
Charged for the year	84,087	-	84,087	-	3,200	3,200
Balance at end of year	84,087	4,300	88,387	-	4,300	4,300

10 Loans and advances to banks

	2002	2001
	£000	£000
Remaining maturity:		
- over 5 years	-	-
- 5 years or less, but over 1 year	-	-
- 1 year or less, but over 3 months	-	-
- 3 months or less, but not repayable on demand	-	-
- repayable on demand	1,135,973	1,093,208
	1,135,973	1,093,208

Included in loans and advances to banks are amounts owed by ultimate parent undertaking of £1,135,973,079 (2001: £1,093,208,032) which are repayable on demand.

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

11 Loans and advances to customers

	2002	2001
	£000	£000
Remaining maturity:		
- over 5 years	4,994	5,782
- 5 years or less, but over 1 year	-	18,308
- 1 year or less, but over 3 months	112,772	140,416
- 3 months or less, but not repayable on demand	625,477	497,992
- repayable on demand	4,307	(3,207)
	747,550	659,291
Provision for bad and doubtful debts (note 9)	(88,387)	(4,300)
	659,163	654,991

12 Other Debtors

	2002	<i>As restated</i> 2001
	£000	£000
Amount due from parent undertaking	401	-
Amount due from other group undertakings	170	-
Prepayments and accrued income	1,280	4,533
Corporation tax recoverable	5,888	3,229
Deferred tax asset	15,151	1,290
	22,890	9,052

The deferred tax asset shown above relates to general provisions not allowed against current taxation of £1,290,000 (2001: £1,290,000 – restated) and unrelieved trading losses of £13,861,000 (2001: nil).

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

13 Deposits by Banks

	2002	2001
	£000	£000
Remaining maturity:		
- over 5 years	-	-
- 5 years or less, but over 1 year	-	-
- 1 year or less, but over 3 months	-	-
- 3 months or less, but not repayable on demand	317,948	222,000
- repayable on demand	1,110,903	1,093,082
	<u>1,428,851</u>	<u>1,315,082</u>

Included in deposits by banks are amounts owed to ultimate parent undertaking of £1,013,979,720 (2001: £991,468,000) and amounts due to parent undertaking of £96,923,761 (2001: £101,614,000), which are repayable on demand.

14 Other Liabilities

	2002	2001
	£000	£000
Amounts owed to parent undertaking	46	5,458
Amounts owed to ultimate parent undertaking	1,560	8,733
Taxation payable	-	355
Accruals and deferred income	5,129	1,875
	<u>6,735</u>	<u>16,421</u>

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

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

15 Assets and liabilities in foreign currencies

The aggregate amounts of assets and liabilities on the balance sheet in foreign currencies were as follows:

	Denominated in GBP	Denominated in other currencies	Total
	£000	£000	£000
Assets	384,382	1,433,644	1,818,026
Liabilities	(415,881)	(1,402,145)	(1,818,026)
31 October 2002	(31,499)	31,499	-
31 October 2001	(14,075)	14,075	-

The mismatch between assets and liabilities in foreign currencies arises in the normal course of business.

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

16 Share Capital

	2002	2001
Authorised:		
	US\$ 000	US\$ 000
100,000,000 ordinary shares of US\$1 each	100,000	100,000
500,000,000 redeemable preference shares of US\$1 each	500,000	500,000
	600,000	600,000
	£ 000	£ 000
500,000,000 redeemable preference shares of £1 each	500,000	500,000
Allotted and fully paid:		
	US\$ 000	US\$ 000
40,000,000 ordinary shares of US\$1 each	40,000	40,000
56,663,750 redeemable preference shares of US\$1 each	56,664	56,664
	96,664	96,664
	£ 000	£ 000
300,827,500 redeemable preference shares of £1 each	300,828	300,828
Movement in share capital during the year is as follows:		
	£000	£000
Share capital at opening exchange rate	367,253	367,562
Translation difference on non-Sterling shares (see note 17)	(4,652)	(309)
Share capital at closing exchange rate	362,601	367,253

All the Redeemable Preference shares (both £ and US\$) are redeemable at par 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 (both £ and US\$) 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 (both £ and US\$) have attached to them the same rights regarding voting and payment on a winding up as are attached to Ordinary shares.

The Redeemable Preference capital (both £ and US\$) are eligible for inclusion in Tier 1 capital.

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

17 Profit and Loss Reserve

	<i>As restated</i>	
	2002	2001
	£000	£000
Balance brought forward as previously stated	57,205	34,356
Prior year adjustment – FRS 19	1,290	330
As restated	58,495	34,686
(Loss)/profit for the year	(43,308)	23,500
Translation differences on non-Sterling shares	4,652	309
	19,839	58,495

18 Reconciliation and Analysis of Shareholder's Funds

	<i>As restated</i>	
	2002	2001
	£000	£000
Opening Shareholder's funds	424,458	401,918
Prior year adjustment – FRS 19	1,290	330
Opening Shareholder's funds as restated	425,748	402,248
(Loss)/Profit for the year attributable to shareholders (see note 17)	(43,308)	23,500
Closing Shareholder's funds	382,440	425,748
Attributable to equity interest:		
40,000,000 Ordinary shares of US\$ 1 each @ 1.5648 (2001: 1.4552)	25,562	27,487
Profit and Loss Reserve (see note 17)	19,839	58,495
Total equity interest	45,401	85,982
Attributable to non-equity interest:		
300,827,500 Redeemable pref. shares of £1 each	300,828	300,828
56,663,750 Redeemable pref. shares of US\$ 1 each @ 1.5648 (2001: 1.4552)	36,211	38,938
Total non-equity interest	337,039	339,766

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

19 Committed Facilities

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Undrawn committed facilities maturing:		
- 1 year and over	874,299	1,234,484
- less than 1 year	524,407	489,665
	<u>1,398,706</u>	<u>1,724,149</u>

Committed facilities represent amounts available to customers, which were undrawn at the balance sheet date.

20 Risk Management

Objectives, policies and strategies

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

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

The company uses matched funding provided by the parent entity to finance advances to customers. Interest rate risk in excess of approved limits is hedged through fixed to floating interest rate swaps with the parent entity.

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

20 Risk Management (continued)

Interest rate risk

The net interest income of the company is exposed to movements in interest rates. This exposure is managed on a continuous basis, within limits set by the Board, using a combination of on and off balance sheet instruments. After taking into account the various derivatives entered into by the company, the interest rate sensitivity of the company (based on interest rate re-pricing) was:

	Less than 3 month	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 October 2002							
Loans to banks	1,135,973	-	-	-	-	-	1,135,973
Loans to customers	625,477	104,621	8,151	-	4,994	4,307	747,550
General loan loss provision (note 9)	-	-	-	-	-	(88,387)	(88,387)
Other debtors	-	-	-	-	-	22,890	22,890
Total Assets	1,761,450	104,621	8,151	-	4,994	(61,190)	1,818,026
Deposits by banks	(1,428,851)	-	-	-	-	-	(1,428,851)
Other liabilities	-	-	-	-	-	(6,735)	(6,735)
Share capital	-	-	-	-	-	(362,601)	(362,601)
Reserves	-	-	-	-	-	(19,839)	(19,839)
Total liabilities and equity	(1,428,851)	-	-	-	-	(389,175)	(1,818,026)
Off balance sheet items	11,425	-	-	(11,425)	-	-	-
Interest rate sensitivity gap at							
31 October 2002	344,024	104,621	8,151	(11,425)	4,994	(450,365)	-

TD Bank Europe Limited

Notes to the financial statements for the year ended 31 October 2002 (continued)

20 Risk Management (continued)

Interest rate risk

	Less than 3 month	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	<i>As restated</i> Non-interest bearing	<i>As restated</i> Total
	£000	£000	£000	£000	£000	£000	£000
31 October 2001							
Loans to banks	1,093,123	-	-	-	-	85	1,093,208
Loans to customers	497,992	129,259	11,157	18,308	5,782	(3,207)	659,291
General loan loss provision (note 6)	-	-	-	-	-	(4,300)	(4,300)
Other debtors	-	-	-	-	-	9,052	9,052
Total Assets	1,591,115	129,259	11,157	18,308	5,782	1,630	1,757,251
Deposits by banks	(1,315,082)	-	-	-	-	-	(1,315,082)
Other liabilities	(12,787)	-	-	-	-	(3,634)	(16,421)
Share capital	-	-	-	-	-	(367,253)	(367,253)
Reserves	-	-	-	-	-	(58,495)	(58,495)
Total liabilities and equity	(1,327,869)	-	-	-	-	(429,382)	(1,757,251)
Off balance sheet items	53,454	-	-	(46,593)	(6,861)	-	-
Interest rate sensitivity gap at							
31 October 2001	316,700	129,259	11,157	(28,285)	(1,079)	(427,752)	-

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Notes to the financial statements for the year ended 31 October 2002 (continued)

20 Risk Management (continued)

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 as shown below:

	Less than 3 month	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 October 2002							
Loans to banks	1,135,973	-	-	-	-	-	1,135,973
Loans to customers	16,422	90,887	53,857	482,925	99,152	4,307	747,550
General loan loss provision	-	-	-	-	-	(88,387)	(88,387)
Other debtors	-	-	-	-	-	22,890	22,890
Total Assets	1,152,395	90,887	53,857	482,925	99,152	(61,190)	1,818,026
Deposits by banks	(1,428,851)	-	-	-	-	-	(1,428,851)
Other liabilities	-	-	-	-	-	(6,735)	(6,735)
Total liabilities	(1,428,851)	-	-	-	-	(6,735)	(1,435,586)
Liquidity gap at							
31 October 2002	(276,456)	90,887	53,857	482,925	99,152	(67,925)	382,440

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Notes to the financial statements for the year ended 31 October 2002 (continued)

20 Risk Management (continued)

Liquidity Risk

	Less than 3 month	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	<i>As restated</i> Non-interest bearing	<i>As restated</i> Total
	£000	£000	£000	£000	£000	£000	£000
At 31 October 2001							
Loans to banks	1,093,123	-	-	-	-	85	1,093,208
Loans to customers	21,646	41,699	43,188	423,463	132,508	(3,213)	659,291
General loan loss provision	-	-	-	-	-	(4,300)	(4,300)
Other debtors	-	-	-	-	-	9,052	9,052
Total Assets	1,114,769	41,699	43,188	423,463	132,508	1,624	1,757,251
Deposits by banks	(1,315,082)	-	-	-	-	-	(1,315,082)
Other liabilities	(12,787)	-	-	-	-	(3,634)	(16,421)
Total liabilities	(1,327,869)	-	-	-	-	(3,634)	(1,331,503)
Liquidity gap at							
31 October 2001	(213,100)	41,699	43,188	423,463	132,508	(2,010)	425,748

Currency rate risk

The company's position with respect to foreign currency denominated assets, liabilities and share capital is broadly matched:

	Denominated in GBP	Denominated in USD	Denominated in EUR	Denominated in other currencies	Total
	£000	£000	£000	£000	£000
Assets	384,382	1,038,109	341,003	54,532	1,818,026
Liabilities and Equity	(415,881)	(1,013,537)	(337,532)	(51,076)	(1,818,026)
31 October 2002	(31,499)	24,572	3,471	3,456	-
31 October 2001	(14,075)	10,447	(1,771)	5,398	-

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Notes to the financial statements for the year ended 31 October 2002 (continued)

20 Risk Management (continued)

Credit risk

The company's maximum exposure to credit risk, excluding the value of collateral, is generally reflected in the carrying amounts of financial assets on the balance sheet.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The company uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approval, risk control limits and monitoring procedures.

21 Financial Instruments

Fair value of financial assets and financial liabilities

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

The fair value of a financial instrument is the amount at which it could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values are used to determine fair values. Where market values are not available, fair values are calculated for other financial instruments by discounting and converting cash flows at prevailing interest and exchange rates.

Management considers that it is inappropriate to estimate the fair value of loans and advances to customers, because they are not listed or publicly traded nor is there a liquid and active market for them.

Fair value of other financial assets and liabilities, excluding the assets described above, are considered to approximate their respective carrying values due to their short-term nature.

Derivative financial instruments

The principal derivatives used in balance sheet risk management are interest rate swaps which are used to hedge interest rate mismatches between assets and liabilities. The company only enters derivative contracts for the purposes of mitigating interest rate and foreign exchange risk. Derivatives are not used in trading activity or for speculative purposes and all derivatives are therefore designated as hedging instruments. These hedges are accounted for on an accrual basis, in line with the underlying instruments being hedged. Any gains or losses that would occur if these instruments were carried at market value are therefore not recognised. All of the company's derivatives activity during the year was contracted with its ultimate parent, The Toronto-Dominion Bank.

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Notes to the financial statements for the year ended 31 October 2002 (continued)

22 Financial Instruments (continued)

Fair value of derivative financial instruments

The table below analyses the derivatives used to manage interest rate risk by type of contract and maturity and shows the nominal principal amount, credit risk weighted amount and replacement cost of contracts.

Nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The replacement cost represents the cost of replacing contracts with positive values, calculated at market rates current at the balance sheet date and reflects the company's exposure at that date should the counterparties default. The credit risk weighted amount, which is calculated according to guidelines specified by the Financial Services Authority, is based on the replacement cost, but also takes into account measures of the extent of potential future exposure and the nature of the counterparty.

	2002			2001		
	Notional amount	Credit risk weighted amount	Replacement cost	Notional amount	Credit risk weighted amount	Replacement cost
	£000	£000	£000	£000	£000	£000
Interest rate swaps:						
- less than 1 year	375,905	958	984	312,000	-	67
- between 1 and 5 years	38,630	193	193	46,593	233	233
- over 5 years	6,381	96	96	6,861	103	103
	420,916	1,247	1,273	365,454	336	403

Market values have been used, where available, to determine fair values. Where market values are not available, fair values have been calculated for other financial instruments by discounting cash flows at prevailing interest and exchange rates:

The carrying amount of the Interest Rate Swaps and their fair value was:

	2002		2001	
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Assets/ (liabilities):Interest rate swaps				
31 October	(210)	(2,397)	(193)	(7,154)

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Notes to the financial statements for the year ended 31 October 2002 (continued)

22 Financial Instruments (continued)

Fair value of derivative financial instruments (continued)

All derivative contracts were entered into as hedging transactions supporting the non-trading banking book. Movements in the amount of unrecognised gains and losses on hedging instruments were as follows:

	2002		2001	
	Unrecognised gains	Unrecognised losses	Unrecognised gains	Unrecognised losses
	£000	£000	£000	£000
Balance at beginning of year	67	7,221	23	2,248
Gains and losses not recognised in the current year	(41)	(4,798)	44	4,973
Balance at end of year	26	2,423	67	7,221

23 Parent Undertaking

The immediate parent company and the parent company of the smallest group of which the company forms part is Toronto Dominion Investments BV, which is incorporate in Netherlands. Copies of the group accounts may be obtained from: Atrium Gebouw, Strawinskylaan 3025, 1077 ZX, Amsterdam, The Netherlands.

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