

3220934

DEALWISE LIMITED

Report and Accounts

10 months ended 31 October 2000



Dealwise Limited

Registered No. 3220934

DIRECTORS

J A Plowman
B Masrani
K Dowd
J Duvar
L Arnett
P A Ireland

SECRETARY

C J Bradley

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

REGISTERED OFFICE

Triton Court
14 - 18 Finsbury Square
London
EC2A 1DB

DIRECTORS' REPORT

The directors present their report and accounts for the 10 months ended 31 October 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company during the period was the provision of discount brokerage services and acting as customers' dealer for the purposes of securities trading.

RESULTS AND DIVIDENDS

The company made a loss for the period, after taxation, of £2,853,000 (year ended 31 December 1999 - £4,127,000 profit).

An interim ordinary dividend of £8,000,000 was paid on 28 April 2000 (year ended 31 December 1999: £nil). The directors do not recommend the payment of a final dividend in respect of the ordinary shares (year ended 31 December 1999: £nil).

A preference dividend of £106,524 (year ended 31 December 1999: £48,647 and £100,825) was paid on 28 April 2000 in accordance with the terms of the shares.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were:

J A Plowman
B Masrani (appointed 19 May 2000)
J R C White (appointed 19 May 2000, resigned 12 October 2000)
J Duvar (appointed 19 May 2000)
P A Ireland (appointed 12 October 2000)
L Arnett (appointed 12 October 2000)
K Dowd (appointed 20 October 2000)
J G Goodfellow (resigned 19 May 2000)
P F Barlow (resigned 19 May 2000)
P Cattermull (resigned 19 May 2000)
J B Rawlings (resigned 19 May 2000)
A J Shapland (resigned 19 May 2000)
R J Steel (resigned 19 May 2000)

The interests of the directors are as follows:

	<i>'C' Ordinary Shares of 35 Pence</i>	
	<i>31 October</i>	<i>31 December</i>
	<i>2000</i>	<i>1999</i>
P F Barlow	Nil	9,900
J A Plowman	Nil	9,900

The other directors of the company as at 31 October 2000 had no disclosable interest in the shares of any group company.

DIRECTORS' REPORT

ACQUISITION OF THE COMPANY

On 19 May 2000 the company was acquired by TD Waterhouse Investor Services (UK) Limited from the Skipton Building Society.

EVENTS SINCE THE BALANCE SHEET DATE

On 30 November 2000 the share capital of the company was transferred from TD Waterhouse Investor Services (UK) Limited to TD Waterhouse Investor Services (Europe) Limited. On 1 December 2000 the assets and liabilities of the company were transferred to TD Waterhouse Investor Services (Europe) Limited under an asset transfer agreement. Under the asset transfer agreement client assets which remain within the company are held in trust for TD Waterhouse Investor Services (Europe) Limited until client consent is received to transfer the account.

DISABLED EMPLOYEES

The company gives full consideration to application for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

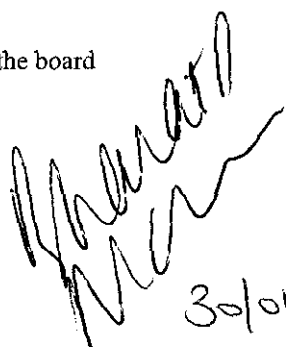
Employees are provided with information about the company by means of the company's intranet site. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the company through bonuses which are related to the company's results.

AUDITORS

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

On behalf of the board

Director



30/01/01

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

**REPORT OF THE AUDITORS
to the members of Dealwise Limited**

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

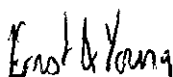
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 October 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
London

30 January 2001

Dealwise Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 October 2000

		<i>10 months ended 31 October 2000</i>	<i>Year ended 31 December 1999</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
TURNOVER	2	23,432	25,223
Administrative expenses		(19,124)	(12,859)
Other changes		(9,811)	(8,026)
OPERATING (LOSS)/PROFIT		<u>(5,503)</u>	<u>4,338</u>
Interest receivable		2,662	2,212
Interest payable to group undertakings		(791)	(544)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(3,632)</u>	<u>6,006</u>
Taxation credit/(charge) on (loss)/profit on ordinary activities	5	779	(1,879)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(2,853)</u>	<u>4,127</u>
Dividends paid and proposed (including non-equity interests)	6	(8,107)	(149)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD		<u><u>(10,960)</u></u>	<u><u>3,978</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 31 October 2000

	<i>10 months ended 31 October 2000 £000</i>	<i>Year ended 31 December 1999 £000</i>
(Loss)/profit for the financial period	(10,960)	3,978
Unrealised surplus on revaluation of investments	2,400	—
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	(8,560)	3,978

Dealwise Limited

BALANCE SHEET

at 31 October 2000

		31 October 2000	31 December 1999
	Notes	£000	£000
FIXED ASSETS			
Intangible assets	7	1,509	1,589
Tangible assets	8	3,531	3,227
Investments	9	2,400	—
		<u>7,440</u>	<u>4,816</u>
CURRENT ASSETS			
Debtors	10	141,075	260,626
Cash at bank and in hand	11	89,364	108,022
		<u>230,439</u>	<u>368,648</u>
CREDITORS: amounts falling due within one year	12	(221,204)	(361,229)
NET CURRENT ASSETS		<u>9,235</u>	<u>7,419</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,675</u>	<u>12,235</u>
CREDITORS: amounts falling due after more than one year			
Loans	13	(5,000)	—
NET ASSETS		<u>11,675</u>	<u>12,235</u>
CAPITAL AND RESERVES			
Called up share capital	14	10,731	2,731
Share premium account		1,891	1,891
Profit and loss account		(3,347)	7,613
Revaluation Reserve		2,400	—
TOTAL SHAREHOLDERS' FUNDS	15	<u>11,675</u>	<u>12,235</u>

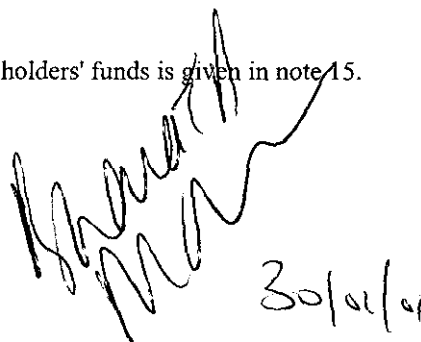
An analysis of shareholders' funds between equity and non-equity interests is as follows:

Equity		1,175	9,735
Non-equity	'A' preference shares	1,050	1,050
	'B' preference shares	1,450	1,450
	'C' preference shares	8,000	—
		<u>11,675</u>	<u>12,235</u>

A reconciliation of the movement in shareholders' funds is given in note 15.

Approved by the Board on

Director


30/01/01

NOTES TO THE ACCOUNTS

at 31 October 2000

1. ACCOUNTING POLICIES

Accounting convention

These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and applicable accounting standards.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows.

Equipment, fixtures and fittings	– 5 years
Motor vehicles	– 5 years

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse. Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Operating leases

The rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

TD Waterhouse Investor Services (Europe) Limited, which at 31 October 2000 was a fellow subsidiary undertaking, operates a defined contribution pension scheme for the group. Contributions from Dealwise Limited are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Related Party Transactions

The company has not produced related party transactions details in accordance with FRS 8 since throughout the 10 months to October 2000 it has been a subsidiary of a group where greater than 90% of the voting rights were controlled within the group and the financial statements of the respective groups are publicly available.

Group accounts

The company has not produced group accounts as it is a wholly owned subsidiary undertaking and its immediate parent undertaking produces group accounts. Accordingly these accounts present information about the company as an individual undertaking and not about its group.

NOTES TO THE ACCOUNTS

at 31 October 2000

1. ACCOUNTING POLICIES (continued)

Cashflow Statement

The company has not produced a cashflow statement, in accordance with FRS 1 (revised). The company is claiming exemption as throughout the period it has been a wholly-owned subsidiary undertaking and the financial statements of the respective groups are publicly available.

Investments

Fixed asset investments comprising London Stock Exchange (LSE) shares are stated at market value and the difference between cost and market value is taken to the revaluation reserve to reflect the investment return. Other fixed asset investments are stated at the lower of cost and net realisable value.

2. TURNOVER

Turnover represents stockbroking commissions and fees for execution only discount brokerage, stated net of VAT, and is derived from the continuing operation of the business within the UK. The directors consider that the company operates in a single business and geographical segment.

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting) the following:

	<i>10 months ended 31 October 2000 £000</i>	<i>Year ended 31 December 1999 £000</i>
Depreciation of tangible fixed assets	728	624
Loss on disposal of tangible fixed assets	215	—
Auditors' remuneration		
- audit services	55	44
- non-audit services	4	7
Operating leases - land and buildings	293	(137)
- other	25	12
	<u> </u>	<u> </u>

4. DIRECTORS' AND EMPLOYEES' COSTS

	<i>31 October 2000 £000</i>	<i>31 December 1999 £000</i>
Salaries	9,566	6,672
Social security costs	1,023	625
Other pension costs	160	110
	<u>10,749</u>	<u>7,407</u>

Dealwise Limited

NOTES TO THE ACCOUNTS at 31 October 2000

4. DIRECTORS' AND EMPLOYEES' COSTS (continued)

The average number of employees during the period, was as follows:

	<i>31 October</i>	<i>31 December</i>
	<i>2000</i>	<i>1999</i>
	<i>No.</i>	<i>No.</i>
Staff	579	380

Directors' emoluments

	<i>31 October</i>	<i>31 December</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Directors' emoluments including pension contributions	484	727
Emoluments of the highest paid director	144	225

5. TAXATION

The taxation (credit)/charge for the period comprises:

	<i>10 months</i>	<i>Year</i>
	<i>ended</i>	<i>ended</i>
	<i>31 October</i>	<i>31 December</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Corporation tax on loss on ordinary activities at 30% (1999: 30.25%)	(779)	1,870
Under provided in previous years	-	57
Deferred taxation credit	-	(48)
	(779)	1,879

6. DIVIDENDS PAID AND PROPOSED

Dividends comprise:

	<i>10 months</i>	<i>Year</i>
	<i>ended</i>	<i>ended</i>
	<i>31 October</i>	<i>31 December</i>
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Half year payment of dividends on 8% preference shares (non-equity)	107	149
Ordinary dividend paid (equity)	8,000	-
	8,107	149

NOTES TO THE ACCOUNTS

at 31 October 2000

7. INTANGIBLE FIXED ASSETS

*Goodwill**£000*

Cost:

At 1 January 2000

1,905

Arising during the period

—

At 31 October 2000

1,905

Amortisation:

At 1 January 2000

316

Amortisation for the period

80

At 31 October 2000

396

Net book value:

At 31 October 2000

1,509

At 31 December 1999

1,589

8. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i>	<i>Equipment, fixtures and fittings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 1999	373	4,075	4,448
Additions	84	1,196	1,280
Disposals	(104)	(403)	(507)
At 31 October 2000	353	4,868	5,221
Depreciation:			
At 1 January 1999	97	1,124	1,221
Charge for the period	49	679	728
Disposals	(49)	(210)	(259)
At 31 October 2000	97	1,593	1,690
Net book value:			
At 31 October 2000	256	3,275	3,531
At 31 December 1999	276	2,951	3,227

Dealwise Limited

NOTES TO THE ACCOUNTS

at 31 October 2000

9. INVESTMENTS

31 October
2000
£000

Cost or valuation:

At 1 January 2000

Unlisted Investments at market value

—
2,400

At 31 October 2000

2,400

In addition, at 31 October 2000 the company held an investment of £2 (31 December 1999: £2) consisting of shares in the subsidiary undertaking, Wellington Street Nominees Limited, the ordinary shares of which are wholly owned by the company. The subsidiary acts as nominee shareholder to hold shares on behalf of customers of Dealwise Limited.

10. DEBTORS

Amounts falling due within one year:

31 October 31 December
2000 1999
£000 £000

Amounts due from counterparties

Other debtors

Prepayments and accrued income

Corporation tax debtor

139,548 259,738

168 168

580 720

779 —

141,075 260,626

11. CASH AT BANK AND IN HAND

31 October 31 December
2000 1999
£000 £000

Client settlement balances

Other bank balances

86,426 107,834

2,938 188

89,364 108,022

Dealwise Limited

NOTES TO THE ACCOUNTS

at 31 October 2000

12. CREDITORS: amounts falling due within one year

	31 October 2000	31 December 1999
	£000	£000
Bank loans and overdrafts	42	–
Amounts due to counterparties	215,854	332,059
Amounts owed to group undertakings	–	25,325
Other creditors including taxation and social security	2,271	1,548
Accruals and deferred income	3,037	2,297
	<u>221,204</u>	<u>361,229</u>

13. LOANS

	Date of agreement	31 October 2000	31 December 1999
		£000	£000
Short term subordinated loan	18 July 2000	5,000	–
		<u>5,000</u>	<u>–</u>

The subordinated loan is repayable to the company's ultimate parent undertaking on 19 July 2002.

14. CALLED UP SHARE CAPITAL

Share capital comprises the following:

	No.	Authorised 000s	Issued and fully paid £000
'A' ordinary shares of 35 pence each	630,300	221	221
'C' ordinary shares of 35 pence each	29,700	10	10
			<u>231</u>

The 'A' and 'C' ordinary shares rank equally in relation to dividends and amounts receivable on winding up. The 'A' ordinary shares carry one vote per share whereas the 'C' ordinary shares do not carry any voting rights.

	No.	Authorised £000	Issued and fully paid £000
Fixed term non-cumulative 8% 'A' preference shares of £1 each repayable 6 September 2001	1,050,000	1,050	1,050
Fixed term non-cumulative 8% 'B' preference shares of £1 each repayable 1 April 2004	1,450,000	1,450	1,450
Fixed term non-cumulative 'C' preference shares of £1 each Repayable 20 April 2005	10,000,000	10,000	8,000
			<u>10,500</u>

NOTES TO THE ACCOUNTS

at 31 October 2000

14. CALLED UP SHARE CAPITAL (continued)

On 28 April 2000, 8,000,000 fixed term non-cumulative 'C' preference shares of £1 each were issued at par and were fully paid for in cash.

The preference shares receive dividends but carry no voting rights. On winding up the preference shares rank before ordinary shares and are paid out in order of issue. The fixed term non-cumulative 'C' preference shares carry an interest rate of LIBOR plus 1.7%.

15. RECONCILIATION AND ANALYSIS OF SHAREHOLDERS' FUNDS

Shareholders' funds may be analysed as follows:

		31 October 2000	31 December 1999
		£000	£000
Equity shareholders' funds		1,175	9,735
Non-equity shareholders' funds:			
	'A' preference shares	1,050	1,050
	'B' preference shares	1,450	1,450
	'C' preference shares	8,000	-
		<u>11,675</u>	<u>12,235</u>

Reconciliation of movement in shareholders' funds

	Share capital £000	Revaluation reserve £000	Share premium £000	Profit and loss account £000	Total share holders' funds £000
At 1 January 2000	2,731	-	1,891	7,613	12,235
Shares issued in the period	8,000	-	-	-	8,000
Revaluation surplus	-	2,400	-	-	2,400
Loss for the period after taxation	-	-	-	(2,853)	(2,853)
Dividends	-	-	-	(8,107)	(8,107)
	<u>10,371</u>	<u>2,400</u>	<u>1,891</u>	<u>(3,347)</u>	<u>11,675</u>

16. PENSION COMMITMENTS

The majority of employees of the company are members of the TD Waterhouse Investor Services (Europe) Limited defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no prepaid or unpaid contributions at 31 October 2000 (31 December 1999 - £nil).

NOTES TO THE ACCOUNTS

at 31 October 2000

17. COMMITMENTS

Capital commitments

	31 October 2000	31 December 1999
	£000	£000
Contracted but not provided for	—	213

Operating leases

At 31 October 2000 the company had annual commitments under non-cancellable operating leases as follows:

	31 October 2000	31 December 1999
	£000	£000
Land and buildings Expiring in two to five years	293	251
Other Expiring in two to five years	25	9

18. POST BALANCE SHEET EVENTS

On 30 November 2000 the entire share capital of Dealwise Limited was transferred from TD Waterhouse Investor Services (UK) Limited to TD Waterhouse Investor Services (Europe) Limited for a consideration of £80.1 million satisfied by the issue of 80.1 million £1 ordinary shares at par. Immediately prior to this transfer, the share capital of Dealwise Limited was reorganised to one class of ordinary shares.

On 1 December 2000 the assets and liabilities of the company were transferred to TD Waterhouse Investor Services (Europe) Limited under an asset transfer agreement. Under the asset transfer agreement client assets which remain within the company are held in trust for TD Waterhouse Investor Services (Europe) Limited until client consent is received to transfer the account.

19. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking in the period was TD Waterhouse Investor Services (UK) Limited, a company incorporated in England.

The company's ultimate parent company and controlling party is The Toronto-Dominion Bank, which is incorporated in Canada. Copies of the group financial statements may be obtained from:

Finance and Control Division
The Toronto-Dominion Bank
PO Box 1
Toronto Dominion Centre
King St. W and Bay St
Toronto
Ontario M5K 1A2
Canada