

Registered number. 3242334

TD WEALTH HOLDINGS (UK) LIMITED

Report and Accounts

31 October 2016

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TD Wealth Holdings (UK) Limited

Registered No. 3242334

DIRECTORS

J W Tracy
J M Wilson

SECRETARY

M Curle

AUDITORS

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

BANKERS

National Westminster Bank plc
55 King Street
Manchester
M60 2DB

REGISTERED OFFICE

Exchange Court
Duncombe Street
Leeds
LS1 4AX

TD Wealth Holdings (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 2016. The registered number of the Group is 3242334.

RESULTS AND DIVIDENDS

The Group made a loss for the year of £42,929,000 (2015: £33,398,000). The directors do not recommend the payment of a dividend for the year (2015: £nil).

During the year, the ultimate parent company and controlling party, TD Bank Group, commenced a strategic review of its investment in the TD Wealth Holdings (UK) Limited Group. Following this review, TD Bank Group concluded to sell the business to Interactive Investor Limited. A Share Purchase Agreement was signed on 23 September 2016, the sale was approved by the Financial Conduct Authority after the year end and is currently awaiting completion. Following the sale, Interactive Investor Limited will acquire 100% of the issued share capital in TD Wealth Holdings (UK) Limited, and will become the ultimate parent company and controlling party of the Group.

DIRECTORS

The directors of the Group during the year and up to the date of signing these financial statements were as follows:

J W Tracy
J M Wilson

SUPPLIERS STATEMENT

The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the company to pay suppliers within 30 days following receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

DISABLED EMPLOYEES

The Group 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 Group'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 Group by means of the Group'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 Group through bonuses, which are related to the Group's results.

GOING CONCERN

The directors have given careful consideration to the future prospects of the Group in deciding upon the appropriateness of the going concern basis of preparation. This consideration has included current budgets and applying stresses to those budgets reflecting what the board considers to be reasonable adverse developments. This analysis has indicated a risk of incremental capital being required by the primary trading company, TD Direct Investing (Europe) Limited (a wholly owned subsidiary of the Group), in order to meet capital requirements over the period of assessment.

TD Direct Investing (Europe) Limited has received commitments of financial support from TD Bank Group, for the period up until the completion of the proposed sale of the TD Wealth Holdings (UK) Limited Group, and from Interactive Investor Limited from that date of completion. The board has considered the financial condition of these entities and having had regard both to their financial condition and its understanding of their commercial intentions is satisfied that they can and will provide the necessary financial support should they be asked to do so. On this basis the board considers the business to be a going concern.

DIRECTORS' REPORT

During the year, a capital injection was approved by the board for up to £27.0m. A total of £27.0m has been injected to date.

FUTURE DEVELOPMENTS

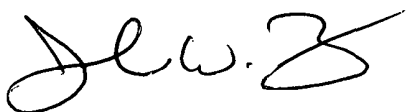
Aside from the proposed sale of the Group as outlined above, the Group will continue to invest in technology in relation to the customer proposition, and look for strategic business opportunities to enhance growth during the forthcoming year.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



J W Tracy

Director

Date: 19/5/17

TD Wealth Holdings (UK) Limited

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 October 2016.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group is a wholly owned subsidiary of TD Bank, which is incorporated in Canada.

The Group's principal activity is execution only brokerage in the UK. During the prior year, TD Direct Investing (Europe) Limited obtained advice permissions from its regulator, the Financial Conduct Authority. This enables TD Direct Investing (Europe) Limited to provide non-personal advice to clients to assist their individual trading and investment decisions. The directors are not aware, at the date of this report, of any likely changes in the Company's activities in the next year.

As shown in the Group's income statement on page 11, revenue has decreased by 2.9% compared with the prior year and loss after tax has increased by 28.5%. The current year results were significantly impacted by impairment losses and continuing challenges in trading and interest rate environments throughout 2016.

The Group statement of financial position on page 13 of the financial statements shows that the Group's total assets have increased on the prior year by 18.9%.

Following an impairment review performed by management, in accordance with the requirements of IAS 36 'Impairment of Assets,' net impairment losses recognised in the Group income statement relating to property, plant and equipment and intangible assets for the year ended 31 October 2016 were £24,276,000 (2015: £9,053,000), and net impairment losses recognised in the Company income statement relating to investments were £59,939,000 (2015: £32,959,000). Impairment losses were driven by a decline in recoverable amount of the business, in light of the proposed sale of the Group.

As outlined in the Going Concern section of the Directors' Report, during the year a capital injection was approved by the board for up to £27.0m. A total of £27.0m has been injected to date.

KEY PERFORMANCE INDICATORS

	2016	2015
Revenue decrease	(2.9)%	(20.8)%
Loss for the year change	(28.5)%	(271.8)%
Client settlement balances	£1.7 billion	£0.9 billion
Treasury return	0.43%	0.46%
Trades per day	9,535	9,644
Assets under administration	£13.2 billion	£12.0 billion

KPIs are widely used by the business to aid strategic and tactical decision-making. A volatile economic climate makes the accuracy, interpretation and use of KPIs even more critical to the successful running of the business.

Trades per day is a key metric to the business and the major driver of both revenue and costs. The current year saw trades per day 1.1% lower than 2015 at 9,535. This followed suppressed trading conditions in the first half of the year, before significant recoveries were seen driven by the UK's EU Referendum result, and subsequent market volatility. Assets under administration is a key indicator of the revenue earning potential of the business, and of market share. Assets under administration were 10.1% higher than 2015, demonstrating that the business is well placed to take advantage of the anticipated market recovery.

STRATEGIC REPORT

Client settlement balances are controlled by careful and prudent management in accordance with the Client Money Rules of the Financial Conduct Authority. Treasury returns are impacted by underlying market rates. Treasury return was 0.43% during the year, and client settlement balances have increased to £1.7 billion (2015: £0.9 billion).

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK is an ongoing risk for the Group, which could result in it losing commission to key competitors. The Group manages this risk by remaining competitive through offering an excellent standard of service to its customers and a diverse range of products.

There continues to be a focus on Treasury risk during the year with continuous in depth reviews taking place to ensure the stability of Treasury counterparties remains strong. Term deposits have been restricted and an increased level of oversight has been put in place. Potential future treasury returns will continue to be challenging as a result of the ongoing low interest rate environment.

Credit risk remains a principal risk area for the Group due to trading activity by clients. This is managed through offering individual trading limits which incorporate concentration limits on certain stocks and sectors.

Pillar III

TD Direct Investing (Europe) Limited adopted Basel II on 1 January 2008. The Basel II Framework consists of three pillars: Pillar I prescribes the risk-focused regulatory capital requirements, Pillar II deals with supervisory review, and Pillar III with market disclosure as a consequence. Pillar III disclosures can be found on the TD Direct Investing (Europe) Limited website (www.tddirectinvesting.co.uk).

Market risk is defined as the potential reduction in net income, or decrease in value of the company's balance sheet, arising from adverse market movements. Specific types of market risk are considered below.

Under "Prudential Sourcebook for Investment Firms" ("IFPRU"), companies are required to disclose their capital resource requirement in respect of trading book and non-trading book activities. TD Direct Investing (Europe) Limited, however, does not have a trading book and as such no disclosures have been made in respect of market risk in respect of trading book activities.

Interest rate risk

Whilst the Group is exposed to interest rate risk this is mitigated through careful management of its cash portfolio and interest payable on its product range. No interest has been paid on any products since 1 February 2009 following a steep decline in the Bank of England base rate. The Group has a diversified revenue stream and is not solely reliant on net interest as an income source. Management considers, therefore, that interest rate risk is adequately managed. In accordance with FCA regulations, TD Direct Investing (Europe) Limited stress tests interest rate risk on a quarterly basis against a 200 basis point (2%) parallel fall in interest rates. In the current low interest rate environment this means assuming no interest income.

Foreign exchange risk

The Group deals with stock in a number of currencies and therefore has a small exposure to movements in the currency exchange rates. The treasury function manages this risk through the appropriate purchase and sale of currencies to match clients' trading requirements. Foreign exchange risk is calculated in accordance with "Capital Requirements Directive IV" ("CRD IV").

Commodity risk

The Group has no commodity risk.

TD Wealth Holdings (UK) Limited

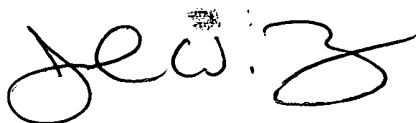
STRATEGIC REPORT

Capital management

The regulatory capital position of TD Direct Investing (Europe) Limited is summarised as follows:

	Unaudited 31 Oct 16 £'000	Unaudited 31 Oct 15 £'000
Own Funds	71,536	99,241
Tier 1 Deductions	-	(15,519)
Total Eligible Own Funds	71,536	83,722
Credit Risk Exposure	71,730	68,108
Settlement Risk Exposure	10,464	17,293
Market (FX) Risk Exposure	6,515	2,541
Fixed Overhead Requirement (FOR)	142,300	145,738
Total Risk Exposure - Pillar 1	142,300	145,738
Pillar 1 Capital Requirement	11,384	11,659
Common Equity Tier 1 Capital surplus (4.5%)	65,133	77,164
Tier 1 Capital surplus (6%)	62,998	74,979
Total Capital surplus (8%)	60,152	72,064
CET1 Capital Adequacy Ratio (min 8%)	50.3%	57.4%
Capital Requirement after ICG (252%)	358,596	367,259
Capital surplus after ICG applied	42,848	54,341
Capital Adequacy Ratio	19.9%	22.8%
Capital Adequacy Ratio Excl. Planning Buffer (£30m)	11.6%	22.8%

On behalf of the Board



J W Tracy

Director

Date: 19/5/17

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union 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 Group and Company and the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TD Wealth Holdings (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TD WEALTH HOLDINGS (UK) LIMITED

We have audited the financial statements of TD Wealth Holdings (UK) Limited for the year ended 31 October 2016 which comprise the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 Group's and the Parent 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' and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's and of the Parent Company's affairs as at 31 October 2016 and of the Group's and Parent Company's loss for the year then ended;
- ▶ the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

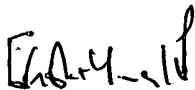
TD Wealth Holdings (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TD WEALTH HOLDINGS (UK) LIMITED

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the Parent Company 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.



Alistair Denton (Senior statutory auditor)

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

Leeds

Date: 19/05/17

TD Wealth Holdings (UK) Limited

GROUP INCOME STATEMENT

For the year ended 31 October 2016

		Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
	<i>Notes</i>		
Revenue	2	31,764	32,708
Cost of sales		(8,146)	(7,918)
GROSS PROFIT		23,618	24,790
Administrative expenses		(43,484)	(54,174)
Impairment losses	8, 9	(24,276)	(9,053)
OPERATING LOSS	3	(44,142)	(38,437)
Finance costs	5	(641)	(618)
Finance income	6	5,084	4,363
LOSS BEFORE TAXATION		(39,699)	(34,692)
Income tax credit	7	(3,230)	1,294
LOSS FOR THE YEAR		(42,929)	(33,398)

There is no further Comprehensive income for the year ended 31 October 2016 or 31 October 2015. All of the loss for the current and preceding years is attributable to the owners of the parent.

TD Wealth Holdings (UK) Limited

PARENT COMPANY INCOME STATEMENT

For the year ended 31 October 2016

	Notes	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Revenue		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Impairment losses	10	(59,939)	(32,959)
OPERATING LOSS		(59,939)	(32,959)
Finance costs	5	(256)	(296)
LOSS BEFORE TAXATION		(60,195)	(33,255)
Income tax credit	7	263	-
LOSS FOR THE YEAR		(59,932)	(33,255)

There is no further Comprehensive income for the year ended 31 October 2016 or 31 October 2015. All of the loss for the current and preceding years is attributable to the owners of the parent.

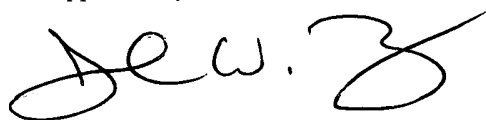
TD Wealth Holdings (UK) Limited

GROUP STATEMENT OF FINANCIAL POSITION at 31 October 2016

		As at 31 Oct 16 £'000	Restated As at 31 Oct 15 £'000
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	9	-	8,208
Intangible assets	8	-	15,519
Deferred tax assets	14	-	4,979
		-	28,706
Current assets			
Trade and other receivables	11	342,015	244,822
Prepayments and accrued income	11	6,013	5,379
Other current financial assets	11	2,890	1,510
Cash and short-term deposits	12	64,979	69,507
		415,897	321,218
Total assets		415,897	349,924
Equity and liabilities			
Equity			
Issued capital	15	291,460	264,460
Share incentive plan reserve		-	(304)
Share based payment transaction reserve		-	73
Retained earnings		(217,146)	(174,217)
Equity attributable to owners of the parent		74,314	90,012
Total equity		74,314	90,012
Current liabilities			
Trade and other payables	13	331,993	237,304
Other current financial liabilities	13	1,025	14,197
Accruals and deferred income	13	8,565	8,411
		341,583	259,912
Total liabilities		341,583	259,912
Total equity and liabilities		415,897	349,924

The notes 1 to 23 form an integral part of the Group financial statements.

Approved by the Board:



J W Tracy

Director

Date: 19/5/17

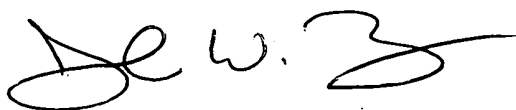
TD Wealth Holdings (UK) Limited

PARENT COMPANY STATEMENT OF FINANCIAL POSITION at 31 October 2016

	Notes	As at 31 Oct 16 £'000	As at 31 Oct 15 £'000
Assets			
Non-current assets			
Investment in subsidiary	10	57,095	102,034
		<u>57,095</u>	<u>102,034</u>
Current assets			
Trade and other receivables	11	2,920	2,920
		<u>2,920</u>	<u>2,920</u>
Total assets		<u>60,015</u>	<u>104,954</u>
Equity and liabilities			
Equity			
Issued capital	15	291,460	264,460
Retained earnings		(231,568)	(171,636)
Equity attributable to owners of the parent		<u>59,892</u>	<u>92,824</u>
Total equity		<u>59,892</u>	<u>92,824</u>
Current liabilities			
Trade and other payables	13	123	634
Other current financial liabilities	13	-	11,496
		<u>123</u>	<u>12,130</u>
Total liabilities		<u>123</u>	<u>12,130</u>
Total equity and liabilities		<u>60,015</u>	<u>104,954</u>

The notes 1 to 23 form an integral part of the Parent Company financial statements.

Approved by the Board:



J W Tracy

Director

Date: 19/5/17

TD Wealth Holdings (UK) Limited

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 October 2016

		Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Cash flows from operating activities			
Loss Before Taxation		(39,699)	(34,692)
Adjustments for			
Depreciation of property, plant and equipment	9	1,240	2,808
Amortisation of intangible assets	8	2,960	8,163
Impairment losses	8, 9	24,276	9,053
Share incentive plan expense		304	-
Share based payment transaction expense		(73)	-
Finance income receivable	6	(5,084)	(4,363)
Finance costs payable	5	641	618
Surplus on office account		60	221
Operating loss before change in working capital and provisions		(15,375)	(18,192)
(Increase)/Decrease in trade and other receivables	11	(99,480)	55,203
Increase/(Decrease) in trade and other payables	13	81,959	(48,586)
Increase/(Decrease) in current tax assets		1,504	(341)
Tax group relief payment received		-	1,488
Tax refund/(payment)		263	(123)
Finance costs paid		(914)	(307)
Cash flows from operating activities		(32,043)	(10,858)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(2,138)	(4,135)
Purchase of intangible assets	8	(2,611)	(5,480)
Finance income received		5,264	4,270
Cash flows from investing activities		515	(5,345)
Cash flows from financing activities			
Capital injection	15	27,000	60,000
Cash flows from financing activities		27,000	60,000
Net (decrease)/increase in cash and cash equivalents		(4,528)	43,797
Cash and cash equivalents at 1 November 2015	12	69,507	25,710
Cash and cash equivalents at 31 October 2016	12	64,979	69,507

TD Wealth Holdings (UK) Limited

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2016

	Share Capital	Income statement	Share based transaction reserve	Share incentive plan reserve	Total Shareholders' funds
	£'000	£'000	£'000	£'000	£'000
As at 1 November 2014	204,460	(140,819)	77	(336)	63,382
Total comprehensive income	-	(33,398)	-	-	(33,398)
Issued share capital	60,000	-	-	-	60,000
Share based payment transactions	-	-	(4)	32	28
As at 31 October 2015	264,460	(174,217)	73	(304)	90,012
As at 1 November 2015	264,460	(174,217)	73	(304)	90,012
Total comprehensive income	-	(42,929)	(73)	304	(42,698)
Issued share capital	27,000	-	-	-	27,000
Share based payment transactions	-	-	-	-	-
As at 31 October 2016	291,460	(217,146)	-	-	74,314

TD Wealth Holdings (UK) Limited

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2016

	Share Capital	Retained Earnings	Total Shareholders' funds
	£'000	£'000	£'000
As at 1 November 2014	204,460	(138,381)	66,079
Loss for the year	-	(33,255)	(33,255)
Issued share capital	60,000	-	60,000
As at 31 October 2015	264,460	(171,636)	92,824
As at 1 November 2015	264,460	(171,636)	92,824
Loss for the year	-	(59,932)	(59,932)
Issued share capital	27,000	-	27,000
As at 31 October 2016	291,460	(231,568)	59,892

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS

at 31 October 2016

1. ACCOUNTING POLICIES

The financial statements of TD Wealth Holdings (UK) Ltd for the year ended 31 October 2016 were authorised for issue in accordance with a resolution of the directors on 19 May 2017. The entity is a limited company incorporated and domiciled in England. The registered office is located at Exchange Court, Duncombe Street, Leeds, LS1 4AX.

Basis of preparation

The financial statements of the entity have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective:

IFRS 2 (Revised) Share-based Payment, effective for annual periods beginning on or after 1 January 2018;

IFRS 7 (Revised) Financial Instruments Disclosure, effective for annual periods beginning on or after 1 January 2016;

IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2018;

IFRS 10 (Revised) Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2016;

IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on or after 1 January 2018;

IFRS 16 Leases, effective for annual periods beginning on or after 1 January 2019;

IAS 1 (Revised) Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2016;

IAS 7 (Revised) Statement of Cash Flows, effective for annual periods beginning on or after 1 January 2017;

IAS 12 (Revised) Income Taxes, effective for annual periods beginning on or after 1 January 2017;

IAS 16 (Revised) Property, Plant and Equipment, effective for annual periods beginning on or after 1 January 2016;

IAS 19 (Revised) Employee Benefits, effective for annual periods beginning on or after 1 January 2016;

IAS 27 (Revised) Separate Financial Statements, effective for annual periods beginning on or after 1 January 2016;

IAS 38 (Revised) Intangible Assets, effective for annual periods beginning on or after 1 January 2016.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

1. ACCOUNTING POLICIES *CONTINUED*

Going concern

The directors have given careful consideration to the future prospects of the Group in deciding upon the appropriateness of the going concern basis of preparation. This consideration has included current budgets and applying stresses to those budgets reflecting what the board considers to be reasonable adverse developments. This analysis has indicated a risk of incremental capital being required by the primary trading company, TD Direct Investing (Europe) Limited (a wholly owned subsidiary of the Group), in order to meet capital requirements over the period of assessment.

TD Direct Investing (Europe) Limited has received commitments of financial support from TD Bank Group, for the period up until the completion of the proposed sale of the TD Wealth Holdings (UK) Limited Group, and from Interactive Investor Limited from that date of completion. The board has considered the financial condition of these entities and having had regard both to their financial condition and its understanding of their commercial intentions is satisfied that they can and will provide the necessary financial support should they be asked to do so. On this basis the board considers the business to be a going concern.

During the year, a capital injection was approved by the board for up to £27.0m. A total of £27.0m has been injected to date.

Significant accounting judgements, estimates and assumptions

In the process of applying these accounting policies, the Group has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follows:

Impairment

In line with the requirements of IAS 36 'Impairment of Assets,' an impairment review is performed when management identify an indication that an asset (or, if appropriate, cash generating unit) may be impaired.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units include the analysis of future cash flows expected to be earned from trading activity, cash balances and treasury returns and other fee related revenue streams.

Impairment is an accounting judgement as a result of the uncertainties which exist around the key assumptions.

NOTES TO THE ACCOUNTS
at 31 October 2016

1. ACCOUNTING POLICIES *CONTINUED*

Share based payment transactions

The Group operates a share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the parent entity. This is recognised as an equity-settled share-based payment transaction in accordance with IFRS 2 'Share-Based Payment.'

The estimated fair value of the employee services received is measured at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The assumptions and models used for estimating fair value for share-based payment transactions include the estimated attrition rate and anticipated vesting period, and are disclosed in Note 17. The estimated fair value is reassessed at each reporting date, with changes in fair value recognised in the Income Statement. Sensitivity analysis is also performed, assessing the likely impact of a 2 percentage point increase or decrease in the key assumptions used in the valuation model.

Significant accounting policies

Financial assets

Initial recognition and measurement

All financial assets are recognised at their cost less impairment provisions.

The Group's financial assets include cash and short-term deposits, trade and other receivables, payments due from clients, payments due from market and available-for-sale investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Cash

Cash referred to in the cash flow statement comprise cash on instant access. TD Direct Investing (Europe) Limited also holds money on behalf of clients in accordance with the Client Money Rules of the FCA. This client money represents balances which are not held in respect of the settlement of transactions (i.e. free money). The client money is not shown on the face of the balance sheet as the Group is not beneficially entitled thereto. Disclosure of the amounts held is made in notes 12 and 13.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

1. ACCOUNTING POLICIES *CONTINUED*

Trade and other receivables

Trade and other receivables are stated at their cost less impairment provisions. A provision for impairment of trade receivables is made for the full invoice value when an invoice falls 23 days overdue. Provisions made during the period, less amounts released and recoveries of amounts written off in previous years are taken to the income statement.

Payments due from clients consist of the balances due as a result of the client purchasing stock or the application of fees. These balances sweep to their income or debt ledger upon settlement date. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Payments due from market consist of the amounts due from counterparties that are due to settle against delivery of stock and are shown gross. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, payments due to clients and payments due to market.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade and other payables are stated at their cost less impairment provisions.

Payments due to clients

Payments due to clients consist of the balances received as a result of the client selling stock or application of corporate actions or dividends. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Payments due to market consist of the amounts due to counterparties that are due to settle against delivery of stock and are shown gross of charges. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

NOTES TO THE ACCOUNTS
at 31 October 2016

1. ACCOUNTING POLICIES *CONTINUED*

Intangible assets

Internally developed software

Internally developed software is stated at cost less amortisation and provisions for impairment, if any. Individual projects, are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Internally developed software is amortised over 3 years on a straight line basis, based on estimated useful lives of the assets.

Purchased intangible assets

Purchased books of client records is stated at cost which was deemed to be their fair value as at the acquisition date less amortisation. Intangible assets are amortised over 8-10 years on a straight line basis given past knowledge of similar acquisitions.

Pensions

The Group operates a defined contribution pension scheme, which is externally funded and covers all eligible staff employees. The scheme funds are held separately from those of the Group in an independently administered fund. Contributions are charged against profits in the year in which contributions are made.

Operating leases

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

Current tax

Current tax and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Current and deferred tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

NOTES TO THE ACCOUNTS
at 31 October 2016

1. ACCOUNTING POLICIES *CONTINUED*

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing major parts of the property, plant and equipment. All other repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is provided on property, plant and equipment so as to write off the cost, less any estimated residual value, over their expected useful economic life. Property, plant and equipment are tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

The nature of assets held includes leasehold improvements, fixtures and fittings and computer software & equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Leasehold improvements	-	over 7 years
Fixtures fittings and office equipment	-	over 5 years
Computer equipment	-	over 3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Development costs

Development costs are stated at cost, net of accumulated amortisation and /or accumulated impairment losses. Such costs include those incurred in improving the brokerage platform. It is assumed that these enhancements provide benefit over a period of time and as such these costs are amortised over a period of three years. Amortisation of the asset begins when development is complete and the asset is available for use. Costs associated with maintaining software are recognised as an expense when incurred.

Foreign currency translation

The entity's financial statements are presented in sterling and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded by the entity at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the entity expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

1. ACCOUNTING POLICIES *CONTINUED*

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue consists of net commission income, fees and related income, and net interest receivable in the normal course of investment business. Net commission income is recognised when bargains are executed whilst fee income is recognised only when receipt is reasonably certain. Interest receivable is recognised on an effective interest rate basis.

Retrospective restatement

During the current year, it was identified that certain intercompany balances were incorrectly classified within the Group Statement of Financial Position. As a result, trade and other receivables and trade and other payables balances were understated.

This has been corrected in the current year, and has resulted in the restatement of the prior period Group Statement of Financial Position. The total amount restated, being a reclassification between trade and other receivables and trade and other payables, was £878,000. There was no impact to the Group or Company Income Statements of this restatement.

2. REVENUE

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

3. OPERATING LOSS BEFORE FINANCE COSTS / INCOME

The operating loss before finance costs / income is stated after charging:

	Group		Company	
	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000	Year ended 31 Oct 16	Year ended 31 Oct 15
Auditor's remuneration - audit services	239	134	-	-
Auditor's remuneration - audit-related services	43	-	-	-
Operating leases:				
- Land and buildings	1,131	1,869	-	-
Depreciation of property, plant & equipment	1,240	2,155	-	-
Amortisation of intangible assets	2,960	8,163	-	-
Impairment losses	24,276	9,053	59,939	32,959

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS

at 31 October 2016

4. DIRECTORS' AND EMPLOYEES' COSTS

	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Salaries	20,022	22,027
Social security costs	2,141	2,371
Pension costs	1,053	1,191
	<u>23,216</u>	<u>25,589</u>
	2016	2015
	No.	No.
Average number employed including executive directors	<u>512</u>	<u>544</u>
	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Directors' emoluments excluding pension contributions	867	898
Pension contributions	<u>9</u>	<u>5</u>
Emoluments of the highest paid director	670	561
Pension contributions of the highest paid director	<u>-</u>	<u>3</u>

Certain non-executive directors are remunerated by the ultimate parent company, TD Bank Group. No apportionment of these directors' remuneration has been applied to the Company on the grounds that the cost of services rendered to the Company are negligible.

5. FINANCE COSTS

	Group		Company	
	31 Oct 16 £'000	31 Oct 15 £'000	31 Oct 16	31 Oct 15
Interest payable to customers	343	311	-	-
Interest payable to banks and other institutions	42	11	-	-
Interest payable to related parties	256	296	256	296
	<u>641</u>	<u>618</u>	<u>256</u>	<u>296</u>

6. FINANCE INCOME

	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Interest receivable from banks and other institutions	<u>5,084</u>	<u>4,363</u>
	<u>5,084</u>	<u>4,363</u>

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

7. TAXATION

Tax recognised in Income Statement

	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Current tax expense		
Current year	(1,543)	(1,008)
Adjustments for prior years	(206)	(159)
	<u>(1,749)</u>	<u>(1,167)</u>
Deferred tax expense		
Origination and reversal of temporary differences	4,981	(188)
Adjustments for prior years	(2)	61
	<u>4,979</u>	<u>(127)</u>
Tax expense from continuing operations		
Total tax expense / (credit)	<u>3,230</u>	<u>(1,294)</u>

Reconciliation of effective tax rate

The current tax credit assessed for the period is lower than that calculated by applying the rate of corporation tax for the period (20.00%). The differences are explained below:

	Year ended 31 Oct 16 £'000	Year ended 31 Oct 15 £'000
Loss before tax for the year	(39,699)	(34,692)
Total tax credit	(3,230)	1,294
Loss after tax	<u>(42,929)</u>	<u>(33,398)</u>
Tax using the Company's domestic tax rate	20.0% (7,940)	20.4% (7,081)
Reduction in tax rate	1.4% (555)	(1.8)% 639
Non deductible expenses	(3.7)% 1,464	(2.4)% 835
Current year deferred tax items not recognised	(12.4)% 4,930	- -
De-recognition of deferred tax assets	(13.9)% 5,534	(12.7)% 4,411
Under (over) provided in prior years	0.5% (203)	0.3% (98)
	<u>(8.1)% 3,230</u>	<u>3.7% (1,294)</u>

The sale of the Group to Interactive Investor Limited is expected to trigger a de-grouping charge arising in the year of the sale, relating to the tax neutral transfer of assets from another group company in 2014. The de-grouping charge would ordinarily result in additional tax payable. However, due to the availability of losses in the Group, no tax is expected to be paid as the losses can be utilised against the de-grouping charge.

Corporation tax paid

The Group received a corporation tax refund of £262,922 in 2016 (2015: £123,284 paid).

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

8. INTANGIBLE ASSETS

	Computer Software £'000	Internally Developed Software £'000	Intangible Assets £'000	Total £'000
Cost				
At 1 November 2015	3,699	25,962	24,751	54,412
Additions	183	2,428	-	2,611
At 31 October 2016	3,882	28,390	24,751	57,023
Amortisation				
At 1 November 2015	2,580	21,268	15,045	38,893
Charge for the year	271	1,739	950	2,960
Impairment losses	1,031	5,383	8,756	15,170
At 31 October 2016	3,882	28,390	24,751	57,023
Net book value				
At 31 October 2016	-	-	-	-
At 31 October 2015	1,119	4,694	9,706	15,519

Following an impairment review performed by management, net impairment losses recognised in the Group Income Statement relating to intangible assets for the year ended 31 October 2016 were £15,170,000 (2015: £5,921,000). Impairment losses were driven by a decline in the recoverable amount of the Group as a whole (identified as a Cash Generating Unit in accordance with IAS 36 'Impairment of Assets'), in light of the proposed sale of the Group.

The recoverable amounts of the assets (Cash Generating Unit) are based on 'fair value less costs to sell' calculations. The Group uses the following hierarchy for determining and disclosing fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value measurement of the Cash Generating Unit is based on observable (Level 2) inputs, being the indicative bid price for the Group offered by the purchaser. Previously, the key assumptions used to determine value in use included analysis of discounted future cash flows expected to be earned from trading activity, cash balances & treasury returns and other fee related revenue streams (Level 3 inputs).

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

9. TANGIBLE FIXED ASSETS

	Leasehold Improvements £'000	Fixtures, Fittings & Office Equipment £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 November 2015	4,679	440	27,350	32,469
Additions	67	-	2,071	2,138
At 31 October 2016	4,746	440	29,421	34,607
Depreciation				
At 1 November 2015	1,954	396	21,911	24,261
Charge for the year	212	16	1,012	1,240
Impairment losses	2,580	28	6,498	9,106
At 31 October 2016	4,746	440	29,421	34,607
Net book value				
At 31 October 2016	-	-	-	-
At 31 October 2015	2,725	44	5,439	8,208

Following an impairment review performed by management, net impairment losses recognised in the Group Income Statement relating to tangible fixed assets for the year ended 31 October 2016 were £9,106,000 (2015: £3,132,000). Impairment losses were driven by a decline in the recoverable amount of the Group as a whole (identified as a Cash Generating Unit in accordance with IAS 36 'Impairment of Assets'), in light of the proposed sale of the Group.

The recoverable amounts of the assets (Cash Generating Unit) are based on 'fair value less costs to sell' calculations. The Group uses the following hierarchy for determining and disclosing fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value measurement of the Cash Generating Unit is based on observable (Level 2) inputs, being the indicative bid price for the Group offered by the purchaser. Previously, the key assumptions used to determine value in use included analysis of discounted future cash flows expected to be earned from trading activity, cash balances & treasury returns and other fee related revenue streams (Level 3 inputs).

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

10. OTHER FINANCIAL ASSETS

The Parent Company holds investments as follows:

	Company	
	31 Oct 16	31 Oct 15
	£'000	£'000
Investment in subsidiaries	57,095	102,034

Following an assessment of the investment in the TD Direct Investing (Europe) Limited business, a net impairment loss of £59,939,000 (2015: £32,959,000) was recognised in the Parent Company Income Statement relating to this investment. Impairment losses were driven by a decline in the fair value of the investment, in light of the proposed sale of the Group.

The recoverable amount of the investment is based on 'fair value less costs to sell' calculations. The Company uses the following hierarchy for determining and disclosing fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value measurement of the investment is based on observable (Level 2) inputs, being the indicative bid price offered by the purchaser. Previously, the key assumptions used to determine value in use included analysis of discounted future cash flows expected to be earned from trading activity, cash balances & treasury returns and other fee related revenue streams (Level 3 inputs).

Details of the investments in which the Parent Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business	Share capital and reserves £'000
TD Direct Investing (Europe) Limited	Ordinary shares	100%	Brokerage	71,536
TD Direct Investing Nominees (Europe) Limited	Ordinary shares	100%	Dormant	-
YorkSHARE Limited	Ordinary shares	100%	Investment	7,531

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 Oct 16	<i>Restated</i> 31 Oct 15	31 Oct 16	31 Oct 15
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Amounts due from counterparties and clients	342,015	244,822	2,908	2,908
Prepayments and accrued income	6,013	5,379	-	-
Other debtors	2,890	1,510	12	12
	<u>350,918</u>	<u>251,711</u>	<u>2,920</u>	<u>2,920</u>

Amounts due from counterparties and clients includes £2,457,000 due from group undertakings of which £2,284,000 relates to trades pending settlement (2015: £4,231,000). Included within Other Debtors is £2,524,000 due from a connected Group company in respect of corporation tax group relief. (2015: £1,020,000).

Management consider the fair value to be equal to the carrying value.

	Total	Not due	1-30 days	31-60 days	Past due 61-90 days	91+ days
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 October 2016	<u>342,015</u>	<u>339,341</u>	<u>1,992</u>	<u>116</u>	<u>16</u>	<u>550</u>
At 31 October 2015	<u>244,822</u>	<u>237,598</u>	<u>3,870</u>	<u>78</u>	<u>38</u>	<u>3,238</u>

The following provisions have been deducted from trade and other receivables:

	£'000
At 1 November 2015	3,485
Arising during the year	428
Utilised	(1,286)
Unused amounts reversed during the year	<u>(869)</u>
At 31 October 2016	<u>1,758</u>

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

12. CASH AT BANK AND IN HAND

	31 Oct 16 £'000	31 Oct 15 £'000
Company balances	64,979	69,507
	<u>64,979</u>	<u>69,507</u>

Client settlement balances are segregated from the Group's cash balances in accordance with the requirements of the Financial Conduct Authority.

As at 31 October 2016 TD Direct Investing (Europe) Limited held bank deposits totalling £1,664,728,000 (2015: £900,037,000) on behalf of clients that are excluded from the balance sheet.

Management consider the fair value to be equal to the carrying value.

13. TRADE AND OTHER PAYABLES

	Group		Company	
	31 Oct 16	<i>Restated</i> 31 Oct 15	31 Oct 16	31 Oct 15
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Amounts due to counterparties and clients	1,996,721	1,137,341	-	-
Less: funds held on behalf of clients	(1,664,728)	(900,037)	-	-
Amounts owed to group undertakings	-	11,495	42	12,049
Other creditors	1,025	2,702	81	81
Accruals and deferred income	8,565	8,411	-	-
	<u>341,583</u>	<u>259,912</u>	<u>123</u>	<u>12,130</u>

Amounts due to counterparties and clients include £nil relating to trades pending settlement (2015: £26,000).

Amounts due to counterparties and clients are non-interest bearing and are normally settled within 21 days. Other payables are non-interest bearing and have an average term of 30 days.

Management consider the fair value to be equal to the carrying value.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

13. TRADE AND OTHER PAYABLES *CONTINUED*

Provisions

The movement in provisions during the year ended 31 October 2016 is as follows:

	Dilapidation Provisions £'000	Onerous Lease Provisions £'000	Total £'000
At 1 November 2015	903	337	1,240
Utilised	-	(62)	(62)
Discount rate adjustment	27	31	58
At 31 October 2016	930	306	1,236

Other provisions include specific amounts for dilapidations costs on operating leases for onerous contracts for the sub-lease of office space.

14. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 Oct 16 £'000	31 Oct 15 £'000	31 Oct 16 £'000	31 Oct 15 £'000	31 Oct 16 £'000	31 Oct 15 £'000
Property, plant and equipment	-	4,959	-	-	-	4,959
Other items	-	20	-	-	-	20
	-	4,979	-	-	-	4,979

The headline rate of UK corporation tax reduced from 21% to 20% on 1 April 2015, and through the enactment of Finance Act 2016 will reduce further to 17% by the year 2020.

Under International Financial Reporting Standards, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

14. DEFERRED TAX CONTINUED

Movement in deferred tax balances during the year:

	As at 1 Nov 14	Recognised in income statement	As at 31 Oct 15	Recognised in income statement	As at 31 Oct 16
	£'000	£'000	£'000	£'000	£'000
Tax loss carry forwards	1,866	(1,866)	-	-	-
Property, plant and equipment	2,935	2,024	4,959	(4,959)	-
Other items	51	(31)	20	(20)	-
	<u>4,852</u>	<u>127</u>	<u>4,979</u>	<u>(4,979)</u>	<u>-</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses totalling £25,450,000 (2015: £19,571,000), and in respect of accelerated capital allowances. The unrecognised deferred tax asset relating to capital allowances totals £7,936,000 (2015: £nil). The deductible temporary items and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of both items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. As a result of the proposed sale of the Group, the previously recorded deferred tax assets associated with capital allowance timing differences have been recorded at £nil (2015: £4,979,000). The recognition of whether future taxable profits will be available to utilise the capital allowances timing differences and record a deferred tax asset is dependent on the plans of the Group in the future during the purchasing company's ownership.

15. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	31 Oct 16	31 Oct 15	31 Oct 16	31 Oct 15
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each (equity)	<u>1,000,000</u>	<u>1,000,000</u>	<u>291,460</u>	<u>264,460</u>

During the year, a capital injection was approved by the board for up to £27m. A total of £27m has been injected to date. 27,000,000 £1 ordinary shares were allotted on 30 June 2016 at par, for cash consideration (fully paid). This was partly used to purchase an additional 14,122,000 £1 ordinary shares in TD Direct Investing (Europe) Limited, and an additional 878,000 £1 ordinary shares in YorkSHARE Limited.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

16. OTHER FINANCIAL COMMITMENTS

At 31 October 2016 the Group had annual commitments under non-cancellable operating leases as set out below:

	31 Oct 16 £'000	31 Oct 15 £'000
Operating leases, which expire: In over five years	1,648	1,648

17. SHARE BASED PAYMENTS

The expense recognised for employee services received during the year is shown in the following table:

	31 Oct 16 £'000	31 Oct 15 £'000
Expense arising from:		
Equity-settled share based payment transactions	601	410
Cash-settled share based payment transactions	-	-
	601	410

Share Incentive Plan

Under the Share Incentive Plan (SIP) employees can elect to pay a maximum of £125 a month into the scheme to purchase TD Bank shares, with the entity matching the amount paid in, and is used to purchase 'matching shares'. These shares are generally required to remain in the Plan for three years, after which time they can be sold or transferred. If an employee leaves the TD Group, all their Shares cease to be subject to the Plan and must be sold or transferred to the employee, with matching shares sold and proceeds returned to the Group.

The fair value of the shares is equal to the cash value paid into the scheme by the Group, taking into account the terms and conditions upon which the shares were granted.

This is recognised as an equity-settled share-based payment transaction in accordance with IFRS 2 'Share-Based Payment.'

Sensitivity analysis has been performed on the estimated attrition rate, being the key assumption used. A 2 percentage point increase or decrease in attrition rate would result in a £9,000 decrease or increase in the value of the reserve respectively.

In the event that the proposed sale of the Group is completed, all share-based payment transactions will cease. Therefore, given that management anticipate the sale to be completed within 12 months, all balances relating to share-based payments have been expensed in the current year.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

17. SHARE BASED PAYMENTS *CONTINUED*

Global Service Recognition Plan

The Global Service Recognition Plan entitles the employee to shares on achieving their 5th anniversary of service, and a choice of shares in TD Bank or an award from a selection of merchandise on each milestone anniversary thereafter. Therefore in this plan, in the case of the award on achieving their 5th anniversary, TD is receiving employment services from the employee in return for equity instruments in the parent. In the case of each other award under this plan (the awards at every 5th anniversary) the Group is receiving employment services from the employee in return for a choice of equity instruments in the parent or other assets.

The Plan was rolled out across TD Wealth International in October 2012 for employees reaching a milestone after 1st January 2012. This is recognised as an equity-settled share-based payment transaction in accordance with IFRS 2 'Share-Based Payment.'

The following table lists the inputs to the models used for equity-settled share based payments for the years ended 31 October 2016 and 31 October 2015:

	31 Oct 16 £'000	31 Oct 15 £'000
Estimated attrition rate (%)	15	15
Vesting period of shares (years)	3	3

Sensitivity analysis has been performed on the estimated attrition rate, being the key assumption used. A 2 percentage point increase or decrease in attrition rate would result in a £6,000 decrease or increase in the value of the reserve respectively.

In the event that the proposed sale of the Group is completed, all share-based payment transactions will cease. Therefore, given that management anticipate the sale to be completed within 12 months, all balances relating to share-based payments have been expensed in the current year.

18. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme, which is externally funded and covers all eligible staff employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. There were no unpaid contributions outstanding at the year-end (2015: £nil). £1,053,000 (2015: £1,191,000) has been recognised in the Group Income Statement in relation to pension contributions for the year.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

19. RELATED PARTY DISCLOSURES

Transactions between the Group and its fellow group companies are summarised below:

	Purchase of goods and services		Sale of good and services		Amounts owed to related parties		Amounts owed from related parties	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 Oct 16	31 Oct 15	31 Oct 16	31 Oct 15	31 Oct 16	31 Oct 15	31 Oct 16	31 Oct 15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TD Asset Administration UK Ltd	-	-	-	335	-	11,496	173	177
TD Bank NV	4	33	1,122	1,393	-	-	-	711
TD Bank (Europe) Ltd	-	-	-	-	-	-	2,524	1,020
TD Direct Investing (Europe) Ltd	-	-	-	-	42	553	2,920	2,920
TD Bank Group	227	330	97	163	11	26	35	15
TD Securities	796	725	-	-	-	-	-	-
TD Ameritrade	449	309	-	-	-	-	61	49
TD Bank International S.A	-	-	963	1,002	-	-	2,363	2,862

In the prior year, TD Wealth Holdings (UK) Limited acted as an outsourced service provider to TD Asset Administration UK Limited and processed all broking transactions on their behalf. TD Asset Administration UK Limited is a wholly owned subsidiary of TD Bank Group. During 2015, TD Asset Administration UK Limited issued an intercompany loan to TD Wealth Holdings (UK) Limited. This was repaid during 2016.

TD Wealth Holdings (UK) Limited acts as an outsourced service provider to TD Bank N.V. (UK Branch), a wholly owned subsidiary of TD Bank Group, and processes all client transactions on their behalf. TD Bank NV (UK Branch) acts as an outsourced treasury service provider to TD Wealth Holdings (UK) Limited.

TD Wealth Holdings (UK) Limited has Group tax relief receivable from TD Bank (Europe) Limited, a wholly owned subsidiary of TD Bank Group.

TD Direct Investing (Europe) Limited is a wholly owned subsidiary of TD Wealth Holdings (UK) Limited.

TD Bank Group, the ultimate parent company and controlling party, provides head office support services to TD Wealth Holdings (UK) Limited. TD Wealth Holdings (UK) Limited acts as an outsourced service provider to TD Bank Group, and processes certain broking transactions on their behalf.

TD Securities Inc., a wholly owned subsidiary of TD Bank Group, acts as an outsourced foreign exchange broking service provider to TD Wealth Holdings (UK) Limited.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

19. RELATED PARTY DISCLOSURES *CONTINUED*

TD Ameritrade Inc. is an associate of TD Bank Group, acts as an outsourced service provider, providing certain broking transactions, to TD Wealth Holdings (UK) Limited.

TD Wealth Holdings (UK) Limited acts as an outsourced service provider to TD International S.A., a wholly owned subsidiary of TD Bank Group, and processes all broking transactions on their behalf.

The above mentioned balances arose from the ordinary course of business. Outstanding balances at the statement of financial position date are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 October 2016, the Group has made a provision of £nil for doubtful debts relating to amounts owed by related parties (2015: £711,000).

The remuneration of directors, who are the key management personnel of the Group, consists of short term employee benefits of £616,841 (2015: £644,329), post-employment benefits of £9,300 (2015: £6,458), share based payments of £250,123 (2015: £175,711) and termination benefits of £nil (2015: £nil).

20. CAPITAL MANAGEMENT

TD Direct Investing (Europe) Limited maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision. TD Direct Investing (Europe) Limited has complied with any capital requirements throughout the current year and the prior year.

The company is classified as a €125k limited licence IFPRU firm for the purposes of the Capital Requirements Directive ('CRD'). Capital is derived from company profit and investment from the ultimate parent company whilst its requirement is determined by its fixed cost base. TD Direct Investing (Europe) Limited operates a capital/risk committee which oversees adequacy on a monthly basis. This committee also determines the amount of capital that management believe is appropriate.

The primary objectives of TD Direct Investing (Europe) Limited's capital management policies are to ensure that it complies with the externally imposed capital requirements and that it maintains healthy capital ratios in order to support the business. The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables, and due to client and market positions. The main purpose of these financial liabilities is to finance the Group's operations and to support the open trading positions of the underlying clients. The Group has trade and other receivables and cash that arrive directly from its operations. The Group also maintains due to client and market positions, again to support the open trading positions of the underlying clients.

The Group is exposed to market risk, concentration risk, interest rate risk and credit risk.

The Group's senior management oversees the management of these risks and is supported by an Internal Capital Adequacy Assessment Process (ICAAP) that advises on financial risks and the appropriate financial risk governance framework for the Group. The ICAAP Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. It is the Group's policy that no trading in derivatives shall be undertaken.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS at 31 October 2016

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *CONTINUED*

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and for TD Direct Investing (Europe) Limited it is its ability to settle trades in a timely manner on behalf of its clients. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include firm's cash and available-for-sale investments. Market risk is managed through operational controls to ensure trades are carried out in a timely and accurate manner.

Sensitivity analysis has been performed on the Group's exposure to interest rate risk, to assess how the income statement would be affected by a 0.25 percentage point increase or decrease in the UK Bank of England base rate. An increase or decrease in base rate would result in a £2,982,000 increase or decrease in finance income respectively.

Currency, commodity and other price risks are not material to the Group.

Concentration risk

The Group is exposed to concentration risk on its treasury and custodian services. The Group ensures that this risk is managed through carrying out full due diligence on all new counterparties, that they are regularly monitored, and that cash is placed in a diverse range of financial institutions approved by the Parent Company.

Concentration risk affects the cash and due to and from market positions on the statement of financial position and is deemed to have an immaterial cost value to the entity.

Interest rate risk

Interest rate risk arises due to;

1. The reduction in interest earned on funds deposited within the portfolio
2. Level of interest paid to Clients

Interest earned on funds deposited is forecast on a monthly basis with current market conditions, TD Economics outlook and relationships with Financial Institutions ("FI") considered. The forecasts are presented to the Treasury Sub-Committee where the results are assessed. Mitigating action to manage the decline of interest rates include access to competitive interest rates due to the strength of the TD brand, relationships with the FI's and the size of the pool of funds to be invested.

The level of interest paid to Clients is monitored by net interest income forecasting which is presented to Senior Management where the results are assessed. If it is concluded that the pricing of the products need to be reviewed Senior Management escalate this to the Chief Executive Officer of the business in question to initiate a re-pricing project.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

TD Wealth Holdings (UK) Limited

NOTES TO THE ACCOUNTS

at 31 October 2016

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *CONTINUED*

The Group is exposed to credit risks on its treasury, custodian and partner services. The Group ensures that full due diligence is carried out on all new counterparties and that they are regularly monitored.

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period date, the Financial Conduct Authority approved the sale of the Group to the purchasing company, Interactive Investor Limited. The sale is therefore awaiting completion.

In light of the proposed sale of the Group, there was also a decline in fair value of investments held by the Parent Company between the end of the reporting period and the date when the financial statements were authorised for issue. The estimated total decline in fair value of investments was £3,128,000. This is a non-adjusting event in line with the requirements of IAS 10 'Events after the Reporting Period'.

There have been other no events which have occurred since 31 October 2016 that would require disclosure in the financial statements of the Group.

23. ULTIMATE PARENT COMPANY

The Group's ultimate parent company and controlling party at the date of signing the financial statements is the TD Bank Group, which is incorporated in Canada. Copies of the group financial statements including Pillar III disclosures within the notes to the accounts may be obtained from:

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TD Bank Group
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King St. W and Bay St
Toronto, Ontario M5K 1A2
Canada