

TDWSCH Holding Company Limited
Report and Financial Statements
31 December 2002

Company Registration No. 4129061



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TDWSCH HOLDING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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TDWSCH HOLDING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Masrani (resigned 30 January 2003)
L Gorman (resigned 18 June 2003)
C Walling (resigned 18 June 2003)
T Pinnington
J Leonard (resigned 18 June 2003)
J Barra
A Rigby (appointed 30 January 2003)

SECRETARY

E Niklas (resigned 18 June 2003)
C Bradley (appointed 18 June 2003)

REGISTERED OFFICE

Crosby Court
38 Bishopsgate
London
EC2N 4AF

BANKERS

The Royal Bank of Scotland plc
Corporate Banking
Waterhouse Square
138-142 Holborn
London EC1N 2TH

AUDITORS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

TDWSCH HOLDING COMPANY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 31 December 2002.

PRINCIPAL ACTIVITIES AND REVIEW OF THE PERIOD

The Company was incorporated on 21 December 2000 and became active on 29 January 2001 to act as a holding company from which to allow the principals to conduct market making, order book trading in UK equities and new issues. Operating activities are conducted through the company's 100% owned subsidiary, Aitken Campbell & Company Limited. The directors expect the present activity to be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

During the year, the Company made a consolidated loss after taxation of £24,859,000 (2001: loss of £2,790,000). The current year consolidated loss includes a £20,000,000 provision for impairment of goodwill on the Company's investment in Aitken Campbell & Company Limited.

The directors do not recommend the payment of a final dividend in respect of the year to 31 December 2002 (2001: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

	<u>Appointed</u>	<u>Resigned</u>
B Masrani (Co Chairman)	-	30 January 2003
L Gorman (Co Chairman)	-	18 June 2003
J Gardner	-	4 April 2002
K Dowd	-	4 April 2002
J Leonard	-	18 June 2003
J Barra	-	-
T Pinnington	4 April 2002	-
C Walling	4 April 2002	18 June 2003
A Rigby	30 January 2003	-

In accordance with the Articles of Association, the directors are not subject to retirement by rotation.

None of the directors had a beneficial interest in the shares of the Company at the year end. There were no share options of the Company outstanding at the year end.

B Masrani, K Dowd, J Barra and T Pinnington are employees of The Toronto-Dominion Bank group companies. The group does not have a basis for allocating their remuneration between group companies.

L Gorman, J Gardner, J Leonard and C Walling are employees of The Charles Schwab Corporation group companies. The group does not have a basis for allocating their remuneration between group companies.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' Report set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

TDWSCH HOLDING COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

The directors consider that in preparing the financial statements on pages 5 to 21

- The Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and
- That all accounting standards which they consider to be applicable have been followed; and
- That the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 30 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board of Directors and signed on behalf of the Board



Secretary

31 July 2003

TDWSCH HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TDWSCH HOLDING COMPANY LIMITED

We have audited the consolidated financial statements which comprise the profit and loss account, the balance sheet, statements of cash flows and recognised gains and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2002 and of the loss, recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

31 July 2003

TDWSCH HOLDING COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £000	2001 £000 Restated
Net dealing profit		4,705	3,567
Operating expenses		(30,247)	(6,459)
OPERATING LOSS		(25,542)	(2,892)
Interest receivable	3 i	-	26
Interest payable	3 ii	(160)	(371)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(25,702)	(3,237)
Tax recovery on loss on ordinary activities	6	843	447
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	16	(24,859)	(2,790)
LOSS FOR THE FINANCIAL YEAR		(24,859)	(2,790)

There is no difference between the results as stated above and the results on a historic cost basis and therefore no note on the historic cost profit and loss for the year is shown.

All of the above amounts relate to continuing operations.

The 2001 comparative results have been restated to correct the presentation of interest expense. This restatement does not affect the reported amount of interest payable or the loss on ordinary activities for the year.

The notes on pages 9 to 21 form an integral part of these financial statements.

The Company's loss after tax for the financial year was £25,974,000.

TDWSCH HOLDING COMPANY LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES **Year ended 31 December 2002**

	2002 £000
Total recognised gains and losses relating to the year	(24,859)
Prior year adjustment	<u>85</u>
Total gains and losses recognised since last annual report	<u>(24,774)</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

TDWSCH HOLDING COMPANY LIMITED

BALANCE SHEETS

31 December 2002

	Note	Group 2002 £000	Company 2002 £000	Group 2001 £000 Restated	Company 2001 £000
FIXED ASSETS					
Intangible assets	11	29,686	-	52,428	-
Tangible fixed assets	7	1,650	-	914	-
Investments	8	298	-	298	-
Investment in subsidiaries	10	-	36,351	-	62,323
		<u>1,948</u>	<u>36,351</u>	<u>1,212</u>	<u>62,323</u>
		31,634	36,351	53,640	62,323
CURRENT ASSETS					
Long positions in securities		399	-	867	-
Debtors	12	46,621	1	77,493	(8)
Cash at bank		<u>12</u>	<u>11</u>	<u>2,323</u>	<u>11</u>
		47,032	12	80,683	3
CURRENT LIABILITIES					
Short positions in securities		(901)	-	(1,026)	-
Creditors: amounts falling due within one year	13	<u>(41,354)</u>	<u>(66)</u>	<u>(72,027)</u>	<u>(55)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,777</u>	<u>(54)</u>	<u>7,630</u>	<u>(52)</u>
Provision for liabilities and charges	14	<u>60</u>	<u>-</u>	<u>60</u>	<u>-</u>
TOTAL NET ASSETS		<u>36,351</u>	<u>36,297</u>	<u>61,210</u>	<u>62,271</u>
CAPITAL AND RESERVES					
Called up share capital	15	64,000	64,000	64,000	64,000
Profit and loss account	16	<u>(27,649)</u>	<u>(27,703)</u>	<u>(2,790)</u>	<u>(1,729)</u>
EQUITY SHAREHOLDERS' FUNDS	17	<u>36,351</u>	<u>36,297</u>	<u>61,210</u>	<u>62,271</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

The financial statements on pages 5 to 21 were approved by the Board of Directors on 31 July 2003.

Signed on behalf of the Board of Directors



Director

TDWSCH HOLDING COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2002

	Note	2002 £000	2001 £000 Restated
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21 i	(14,643)	(658)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	21 iii	(160)	(345)
TAXATION		-	(412)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets	7	(1,063)	(596)
ACQUISITIONS			
Investment in subsidiary	10	-	(59,732)
Acquisition expenses		-	(735)
Net cash outflow for acquisitions		-	(60,467)
NET CASH FLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(15,866)	(62,478)
MANAGEMENT OF LIQUID RESOURCES			
Reduction in net trading positions	21 iii	343	437
FINANCING			
Issue of ordinary share capital		-	64,000
(DECREASE)/INCREASE IN NET CASH	21 iv	<u>(15,523)</u>	<u>1,959</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force. The Company has adopted FRS 19 'Deferred Tax' in the current year, although there is no impact on the prior year profit and loss account.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting, modified for the revaluation of long and short positions in securities as noted below.

In order to present a true and fair view of the state of affairs and the results of the Company and Group, the directors believe that the following departures from the accounting and disclosure requirements of the Companies Act 1985 are appropriate to reflect the special nature of the securities dealing business:

- (i) turnover and cost of sales do not have any meaningful equivalents in a securities dealing business and are not therefore disclosed in the profit and loss account. Net dealing profit is disclosed on the face of the profit and loss account;
- (ii) net dealing profit includes the net profit arising from both buying and selling securities and positions held in securities;
- (iii) interest and dividends arising on long and short positions in securities form part of the net dealing profit and, because they are reflected in the valuation of these positions, are not therefore identified separately; and
- (iv) interest arising from stock borrowing forms part of the net dealing profit.

Basis of Consolidation

The consolidated financial statements include the net assets, results of operations and cash flows of the Company and its subsidiary undertakings based on financial statements drawn up to 31 December 2002. On acquisition of a business, all of the business's assets and liabilities that exist at that date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account. The directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented a profit and loss account for TDWSCH Holding Company Limited.

Long and short positions in securities

The terms "long" and "short" represent the aggregate of trading positions in individual securities arising respectively from a net bought and net sold position. Long and short positions in non FTSE 100 securities are valued at the London Stock Exchange's quoted best bid and offer prices respectively at the close of business on the balance sheet date. As described above, securities are included in the financial statements at valuation in order to show a true and fair view. It is not possible to quantify the effect of this policy as records of historical cost are not maintained.

Stock borrowing

The cash collateral given on stock borrowing transactions is reflected in debtors.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, less estimated residual values, over the useful economic lives of the assets concerned. Commencing in 2002, external computer development and software costs are capitalised for new business application software development or modification of existing software that enhances the future economic benefits of the business. In prior years all computer development and software costs were charged immediately to the profit and loss account. Depreciation on capitalised computer development and software costs commence when a development is completed and enters service.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

The new accounting policy for capitalised computer development and software costs has been applied retrospectively to 2001 results, net operating expenses have been reduced £122,500 and tangible fixed assets increased by the same amount.

Depreciation is provided on a straight line basis over the following asset lives:

	Years
Office equipment and fittings	8
Computer development and software costs	3
Computer hardware equipment	5

Investments

Fixed Assets Investments are recognised at cost less any provision for impairment

Goodwill

Goodwill resulting from the acquisition of Aitken Campbell & Company Limited is recorded as an asset. The goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

Impairment of fixed assets and goodwill

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill', the basis for impairment write down is by reference to the higher of post tax net realisable value and value in use. The value in use is discounted at rate appropriate for this sector.

Deferred taxation

Under the rules of FRS 19, deferred taxation has been recognised as an asset or liability if transactions have occurred at the balance sheet date that give rise to a right to pay less taxation in the future, or an obligation to pay more taxation in the future. An asset is not recognised to the extent that the transfers of economic benefits in the future is uncertain. Deferred tax assets and liabilities have not been discounted.

Bad Debt Provision

Specific provisions are made when it is considered that recovery is doubtful. The specific provisions are netted against trade debtors. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years, are charged to the profit and loss account.

Related parties

The Group is 50% indirectly owned by each of The Charles Schwab Corporation and The Toronto-Dominion Bank. *S ubsidaries of the Charles Schwab Group and The Toronto-Dominion Bank Group are considered related parties of the Company. Transactions with related parties are more fully reported in Note 9.*

Pensions

Retirement benefits are provided by a money purchase pension scheme which is funded by contributions from Aitken Campbell & Company Limited and its employees.

NOTES TO THE CONSOLIDATED ACCOUNTS
Year ended 31 December 2002

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging the following amounts:

	Group 2002 £000	Group 2001 £000
Staff costs	3,455	2,040
Auditors' remuneration		
For audit services - Company	4	9
- Group	39	29
For non audit services - Company	-	-
- Group	6	48
Depreciation	327	135
Amortisation of Goodwill	2,742	1,744
Provision for impairment of goodwill	20,000	-
Operating lease rentals - property	368	206

3. INTEREST

	Group 2002 £000	Group 2001 £000
i) Interest receivable		
Banks	-	26
ii) Interest payable on loans repayable within 5 years		
Banks	63	9
Abbey National Life plc	-	309
Interest payable to Group Companies	97	53
	<u>160</u>	<u>371</u>

4. DIRECTORS' EMOLUMENTS

The Directors did not receive any emoluments in respect of their services to the Company or Group during the year.

B Masrani, K Dowd, J Barra and T Pinnington are employees of The Toronto-Dominion Bank group companies. The group does not have a basis for allocating their remuneration between group companies.

L Gorman, J Gardner, J Leonard and C Walling are employees of The Charles Schwab Corporation group companies. The group does not have a basis for allocating their remuneration between group companies.

Related party transactions

Directors are permitted to effect transactions in securities through the Group. Such transactions are at arms length. The total amount of commission paid by the directors for such transactions undertaken in the year was £ nil (2001: £nil).

TDWSCH HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

5. EMPLOYEE INFORMATION

The average monthly number of persons (including all directors) employed by the Group during the year was:

	Group 2002 No	Group 2001 No
Dealing and sales staff	21	20
Settlement and administration staff	37	36
	<u>58</u>	<u>56</u>

Staff costs, including directors' emoluments, for the above staff were:

	2002 £000	2001 £000
Paid by Aitken Campbell & Company Limited		
Wages and salaries	3,042	1,830
Social security costs	290	145
Other pension costs	123	65
	<u>3,455</u>	<u>2,040</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of tax charge in the year

	Group 2002 £000	Group 2001 £000 Restated
Current tax:		
UK corporation tax on profits	-	(447)
Total current tax	<u>-</u>	<u>(447)</u>
Deferred tax:		
Current year charge	(843)	-
Tax on profit on ordinary activities	<u>(843)</u>	<u>(447)</u>

The prior year tax credit has been restated to take account of the tax effect of capitalising software costs.

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

NOTES TO THE CONSOLIDATED ACCOUNTS
Year ended 31 December 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

b) Factors affecting tax charge for the year

	Group 2002 £000	Group 2001 £000
Loss on ordinary activities before tax	(5,702)	(3,237)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2001: 30%)	(1,711)	(971)
Effects of:		
Expenses not deductible for tax purposes	833	524
Capital allowances for the period in excess of depreciation	(49)	-
Utilisation of tax losses	927	-
Total current tax	<u>-</u>	<u>(447)</u>

7. TANGIBLE FIXED ASSETS - GROUP

	Comuter Software £000 Restated	Office Equipment £000	Computer Hardware £000	Total £000
Cost				
At 1 January 2002	142	316	591	1,049
Additions	315	6	742	1,063
At 31 December 2002	<u>457</u>	<u>322</u>	<u>1,333</u>	<u>2,112</u>
Accumulated Depreciation				
At 1 January 2002	20	29	86	135
Charge for year	95	53	179	327
At 31 December 2002	<u>115</u>	<u>82</u>	<u>265</u>	<u>462</u>
Net book value				
At 31 December 2002	<u>342</u>	<u>240</u>	<u>1,068</u>	<u>1,650</u>
Net book value				
At 31 December 2001	<u>122</u>	<u>287</u>	<u>505</u>	<u>914</u>

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

8. FIXED ASSET INVESTMENTS - GROUP

The Group owns one London Clearing House Limited share which is carried at cost (£297,619). The Group does not intend to dispose of this investment. The market value at 31 December 2002 is estimated at £297,619 based on expected recoverable value of the holding.

9. RELATED PARTY TRANSACTIONS

During the year the Group entered into transactions with related parties in the normal course of business. The details of the transactions are reported below.

The Group entered into transactions with The Charles Schwab Corporation related to the reimbursement of costs for services of seconded employees and some expenses paid on behalf of the Company. The amount of payments made under these arrangements was £704,014 (2001: £584,147). The amount outstanding at year-end in respect of these services was £36,132 (2001: £454,000).

The Group entered into transactions with Charles Schwab (Europe) for the provision of various services, primary the rental of office space in London. The amount of payments made under these arrangements was £282,147 (2001: £144,906). The amount outstanding at year-end in respect of these services was £ nil (2001: £34,000)

The Group entered into transactions with TD Waterhouse Investor Services (Europe) Limited related primarily to reimbursement for costs for services of seconded employees. The amount of payments made under these arrangements was £128,558 (2001: £105,379). The amount outstanding at year-end in respect of these services was £ 30,000 (2001: nil)

The Group entered into financing transactions with The Toronto-Dominion Bank. The amount of payment for interest made in respect of these arrangements was £97,000 (2001: £48,666). The amounts outstanding at year-end in respect of these transactions was principal of £nil (2001: £17,422,804) and interest of £ nil (2001: £2,864).

NOTES TO THE CONSOLIDATED ACCOUNTS
Year ended 31 December 2002

10. INVESTMENTS IN SUBSIDIARIES

	Company £000
Cost	
At 1 January 2002	64,067
Additions	-
	<hr/>
At 31 December 2002	64,067
	<hr/>
Provision	
At 1 January 2002	1,744
Provision for impairment	25,972
	<hr/>
At 31 December 2002	27,716
	<hr/>
Net book value	
At 31 December 2002	36,351
	<hr/>
Net book value	
At 31 December 2001	62,323
	<hr/>

During the period, the Company's investments in subsidiaries consisted of the following wholly owned subsidiary undertakings which are incorporated in Great Britain and registered in Scotland:

- Aitken Campbell & Company Limited
- A.C. (Nominees) Limited (a nominee company).

All shareholdings represent ordinary (equity) shares. The principal country of operation for each subsidiary is the country of incorporation. In the opinion of the directors, the value of the Company's investment in its subsidiary undertakings is not less than the amount at which this is included in the balance sheet.

NOTES TO THE CONSOLIDATED ACCOUNTS
Year ended 31 December 2002

11. INTANGIBLE ASSETS

Goodwill

	Group 2002 £000
Cost	
At 1 January 2002	54,172
Additions	-
	<u>54,172</u>
At 31 December 2002	<u>54,172</u>
Amortisation	
At 1 January 2002	1,744
Charge for year	2,742
Provision for impairment	20,000
	<u>24,486</u>
At 31 December 2002	<u>24,486</u>
Net book value	
At 31 December 2002	<u>29,686</u>
Net book value	
At 31 December 2001	<u>52,428</u>

In accordance with FRS 11 'Impairment of fixed assets and goodwill', the carrying value of the Group's subsidiary undertaking (Aitken Campbell & Company Limited) has been compared to their recoverable amounts, represented by their value in use to the Group. The pre-tax discount rate used in the calculation to arrive at the valuation was 11%.

12. DEBTORS

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Amounts falling due within one year				
Trade debtors	41,069	-	69,869	-
Deposits with money brokers against stock borrowed	3,962	-	7,134	-
Prepayments and other debtors	434	-	177	-
Corporation tax recoverable	314		313	(8)
Deferred tax asset	842	1	-	-
	<u>46,621</u>	<u>1</u>	<u>77,493</u>	<u>(8)</u>

Trade debtors include £21,411,450 (2001: £38,526,000) due from group undertakings which relates to trades pending settlement.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

12. DEBTORS (CONTINUED)

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Corporation tax:				
Tax debtor	314		313	(8)
Analysis of deferred tax balances:				
Accelerated capital allowances	(86)			-
Losses	928	1	-	-
Total current tax	842	1	-	-
Analysis of movement in deferred tax provision:				
Opening balance			-	-
Profit and loss account	842	1	-	-
Closing balance	842	1	-	-

The deferred tax asset is expected to be realised against forecast taxable profits in 2003 and 2004. Cost savings from planned restructuring and the implementation of a significant new orderflow source in mid 2003 are expected to result in the ongoing generation of taxable profits in the current market environment.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Bank overdraft	13,280	-	68	-
Trade creditors	26,523	-	52,355	-
Amounts owed to group companies	-	58	17,400	50
Accruals	1,551	8	2,204	5
	41,354	66	72,027	55

Trade creditors include £12,061,845 (2001: £26,637,000) due to group undertakings which relates to trades pending settlement. Accruals include £66,132 (2001: £488,000) due to group undertakings in the course of the Company's trading operations.

Bank borrowings are secured on securities owned by the Group. Amounts owed to other group companies in 2001 represent a £17,399,615 loan received from The Toronto-Dominion Bank which was repaid on January 2, 2002 and during the year was subject to interest at LIBOR plus 75bps.

14. PROVISION FOR LIABILITIES AND CHARGES

The Group maintains a provision for normal restitution costs of its premises at Bothwell Street, Glasgow when the current lease is terminated. The amount of the provision at period end was £60,000 (2001: £60,000).

NOTES TO THE CONSOLIDATED ACCOUNTS
Year ended 31 December 2002

15. SHARE CAPITAL

	Company and Group 2002 £000	Company and Group 2001 £000
Authorised, allotted, called up and fully paid		
64,000,000 ordinary shares of 100p each	64,000	64,000
	<u>64,000</u>	<u>64,000</u>

16. PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
1 January 2002 as previously reported	(2,875)	(1,729)
Prior year adjustments		
Capitalisation of software costs	122	-
Tax	(37)	-
	<u>(2,790)</u>	<u>(1,729)</u>
1 January 2002 as restated	(2,790)	(1,729)
Loss for the financial year	(24,859)	(25,974)
	<u>(27,649)</u>	<u>(27,703)</u>
31 December 2002	<u>(27,649)</u>	<u>(27,703)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
Loss for the financial year	(24,859)	(25,974)
	<u>(24,859)</u>	<u>(25,974)</u>
Net reduction to shareholders' funds	(24,859)	(25,974)
Opening shareholders' funds as previously reported	61,125	62,271
Prior year adjustment		
Capitalisation of software costs	122	-
Taxation	(37)	-
	<u>61,210</u>	<u>62,271</u>
Opening shareholders' funds as restated	61,210	62,271
Closing shareholders' funds	<u>36,351</u>	<u>36,297</u>

18. PENSION COMMITMENTS

The Group operates a money purchase pension scheme. The pension cost charge for the period was £123,059 (2001: £65,000).

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

19. LEASE COMMITMENTS

The annual commitments under Group non-cancellable operating leases are as follows:

	2002	2001
	£000	£000
Land and buildings		
Leases expiring within:		
One year	30	60
Two to five years	-	-
Over five years	290	166
	<u>320</u>	<u>226</u>

20. CONTINGENT LIABILITIES

In the ordinary course of business the Group has given letters of indemnity in respect of lost certified stock transfer and share certificates. The contingent liability arising therefore cannot be quantified.

The Royal Bank of Scotland holds a letter of pledge by Aitken Campbell & Company Limited in respect of allotment letters given as temporary collateral.

21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

i) Reconciliation of Operating Loss to Net Cash Flow From Operating Activities

	Group	Group
	2002	2001
	£000	£000
Operating loss	(25,542)	(2,892)
Depreciation of tangible fixed assets	327	135
Amortisation of intangible fixed assets	2,742	1,744
Provision for impairment	20,000	-
Decrease in debtors	31,715	43,435
Decrease in creditors	(43,885)	(43,080)
Net cash flow from operations	<u>(14,643)</u>	<u>(658)</u>

ii) Analysis of Changes in Net Debt

	1 January	Cashflows	31 December
	2002	during the	2002
	£000	period	£000
		£000	
Cash in hand	2,323	(2,311)	12
Overdraft	(68)	(13,212)	(13,280)
	<u>2,255</u>	<u>(15,523)</u>	<u>(13,268)</u>
Current investments	(159)	(343)	(502)
Total	<u>2,096</u>	<u>(15,866)</u>	<u>(13,770)</u>

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

iii) Analysis of Cash Flow Headings Netted in the Cash Flow Statement

	Group 2002 £000	Group 2001 £000
Returns on Investments and Servicing of Finance		
Interest received	-	26
Interest paid	(160)	(371)
	<u>(160)</u>	<u>(345)</u>
Management of Liquid Resources		
Long trading positions	468	278
Short trading positions	(125)	159
	<u>343</u>	<u>437</u>

iv) Reconciliation of Net cashflow to Movement in Net Cash

	Group 2002 £000	Group 2001 £000
(Decrease)/Increase in cash in the period	(15,523)	1,959
Cash flow from decrease in liquid resources	(343)	(437)
Net cash and liquid resources acquired with subsidiary	<u>-</u>	<u>574</u>
Change in net cash resulting from cash flows	(15,866)	2,096
Opening net funds	<u>2,096</u>	<u>0</u>
Closing net funds	<u>(13,770)</u>	<u>2,096</u>

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 December 2002

22. ULTIMATE PARENT AND CONTROLLING PARTY

At 31 December 2002, TDWSCH Holding Company Limited was owned 50% each by TD Waterhouse Holdings (UK) Limited and CS Netherlands Capital Markets C.V. The Company is ultimately 50% owned by each of The Charles Schwab Corporation and The Toronto-Dominion Bank. The Charles Schwab Corporation consolidated financial results can be obtained from the Senior Vice President, Investor Relations, The Charles Schwab Corporation, 101 Montgomery Street, San Francisco, CA, USA, 94104. The Toronto-Dominion Bank consolidated financial results can be obtained from Corporate and Public Affairs, The Toronto-Dominion Bank, P.O. Box 1, Toronto Dominion Centre, King St. West and Bay St., Toronto, Ontario, Canada, M5K 1A2.

23. SUBSEQUENT EVENTS

On 18 March 2003 certain agreements were signed between The Toronto-Dominion Bank Group and The Charles Schwab Corporation whereby the Toronto-Dominion Bank group agreed to purchase 100% of CS Netherlands Capital Markets C.V. from Charles Schwab group companies resulting in the Toronto-Dominion Bank Group acquiring 100% ownership of TDWSCH Holding Company Limited. TDWSCH Holding Company Limited is the parent company of Aitken Campbell & Company Limited.

Completion of the transaction took place on 18 June 2003.