Company Registration No. 3958476

Interactive Brokers (U.K.) Limited

Report and Financial Statements

31 December 2010

Interactive Brokers (U.K.) Limited

Report and financial statements 2010

Contents

Interactive Brokers (U.K.) Limited

Officers and professional advisers

Directors

Thomas Peterffy
Yograj Aggarwal
Gerald Perez
Jonathan Chait

Secretary

Paul Brody

Registered office

One Carey Lane
Fifth Floor
London EC2V 8AE

Bankers

Citigroup, N A
Citigoup Centre
Canada Square
Canary Wharf
London E14 5LB

Solicitors

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Auditor

Deloitte LLP
London

Interactive Brokers (U.K.) Limited

Directors' report

The directors present their annual report, together with the financial statements and auditor's report for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

Interactive Brokers (U K) Limited (the "Company") offers execution and clearing broking services in equity and derivative products to European private and institutional clients Interactive Brokers (U K) Limited has been authorised to carry out investment business by the Financial Services Authority since 6 February 2002 The firm is a member of the London Stock Exchange, Irish Stock Exchange, Borsa Italiana, Borsa Valori di Milano, MEFF, MexDer, Chi-X, BATS and Crest It is also a general clearing member of LCH for LSE, NYSE-LIFFE, EDX and the Virt-x SIX exchange

In September 2010, the Company began testing systems and processes for over-the-counter products, specifically unallocated spot gold and contracts for differences, which will be offered to retail and institutional customers in January 2011

RESULTS AND DIVIDENDS

The directors report a profit after taxation of £1,060,689 for the year ended 31 December 2010 (2009 £1,763,451) No dividends are proposed

FUTURE PROSPECTS

Starting in January 2011, Interactive Brokers (U K) Limited intends to carry clients, hold client money and offer unallocated spot gold and contracts for differences The directors hope to expand this offering to include unallocated spot silver and spot FX trades in the foreseeable future

BUSINESS REVIEW

Overall, pre-tax profit decreased by 51% or £1 26 million to £1 21 million for the year ended 31 December 2010 from £2 47 million for the year ended 2009

Decrease in other operating income is driven by the absence of dividends received from LCH Clearnet and decreased translation gains from 2009 In addition 12,698 new customer accounts were added during 2010 For the year ended December 31, 2010, futures volume decreased by 60% or 0 32 million contracts to 0 22 million contracts, and options volume decreased by 4% or 0 46 million contracts to 10 25 million contracts

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Operational Risk

Management takes appropriate steps to minimise the impact of operational risks faced by the Company

Market Risk

Market risk is inherent to the investment in government bonds and, accordingly, the scope of the Company's market risk management procedures includes all market risk-sensitive financial instruments The Company's exposure to market risk is directly related to its role as a financial intermediary in customer trading transactions

Credit Risk

The Company's credit risk is primarily attributable to its trade receivables Credit risk is mitigated through the rigorous assessment of all new clients and through an annual review of the creditworthiness of existing clients

Directors' report (Continued)

Liquidity and Cash Flow Risk

The Company has established liquidity procedures for measuring funding requirements and identifying potential liquidity mismatches The Company maintains a highly liquid balance sheet The majority of our assets consist of cash and collateralised receivables, primarily consisting of receivables from clearing houses for settlement of securities transactions via inter company balances

Going Concern

The Company is part of IBG LLC, formerly known as Interactive Brokers Group LLC After making inquiries about the continued availability of the Group funding, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook Note 21 to the financial statements includes the company's objectives, policies and processes for its financial risk management objectives Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements

DIRECTORS

Thomas Peterffy, Gerald Perez, Yograj Aggarwal and Jonathan Chait have been directors of the Company throughout the year

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself / herself, aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of the information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (2) of the Companies Act 2006 Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

Y. Aggar

Yograj Aggarwal
Director

21 April 2011

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of the company for that period

In preparing the financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable U K Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE BROKERS (U.K.) LIMITED

We have audited the financial statements of Interactive Brokers (U K) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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, 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 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

Opinion on other matter prescribed by the Companies Act 2006

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE BROKERS (U.K.) LIMITED (CONTINUED)

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Mark Rhys FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 April 2011

Interactive Brokers (U.K.) Limited

Profit and loss account
Year ended 31 December 2010

	Note	2010 £	2009 £
Turnover		5,986,755	5,831,978
Administrative expenses		(5,244,893)	(4,921,889)
Other operating (expense)/income		(21,241)	1,109,529
Operating profit	2	720,621	2,019,618
Interest receivable	6	543,047	586,260
Interest payable	7	(52,970)	(140,067)
Profit on ordinary activities before taxation		1,210,698	2,465,811
Tax on profit on ordinary activities	8	(150,009)	(702,360)
Profit on ordinary activities after taxation and profit for the financial year		1,060,689	1,763,451

The company has no recognised gains or losses other than the results stated above, hence a statement of total recognised gains and losses is not presented

All activities are derived from continuing operations

Interactive Brokers (U.K.) Limited

Balance sheet
As at 31 December 2010

	Note	2010	2009
		£	£
FIXED ASSETS			
Tangible assets	9	100,400	87,596
Investments - available for sale	10	297,619	297,619
		398,019	385,215
CURRENT ASSETS			
Deferred taxation	14	137,602	109,746
Debtors due within one year	11	21,366,698	31,679,369
Investments	12	17,137,151	44,248,537
Prepayments		55,779	288,810
Cash at bank and in hand		1,526,386	1,075,412
		40,223,616	77,401,874
CREDITORS: amounts falling due within one year	13	(15,938,871)	(54,127,712)
NET CURRENT ASSETS		24,284,745	23,274,162
TOTAL ASSETS LESS CURRENT LIABILITIES		24,682,764	23,659,377
Creditors: amounts falling due after one year	14	(47,829)	(85,131)
NET ASSETS		24,634,935	23,574,246
CAPITAL AND RESERVES			
Called up share capital	16	79,332	79,332
Capital contribution	18	14,220,668	14,220,668
Profit and loss account	18	10,334,935	9,274,246
EQUITY SHAREHOLDERS' FUNDS	17	24,634,935	23,574,246

The financial statements on Interactive Brokers (U K) Limited were approved by the Board of Directors and authorised for issue on 21 April 2011 They were signed on behalf of the Board of Directors by

Yograj Aggarwal
Director

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Interactive Brokers (U.K.) Limited

Notes to the accounts
As at 31 December 2010

1. **Accounting policies**

The financial statements are prepared under the historical cost convention as modified by the valuation of current asset investments at market value and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The financial statements have been prepared on a going concern basis as set out on the Director's Report on page 3

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Tangible fixed assets

Tangible assets are stated at cost net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows

Leasehold improvements	over the lease period
Fixtures and fittings	7 years
Computer equipment	3 years

For year ended December 31, 2010, there were additions of £48,570 for computer equipment

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss, available for sale investments or loans and receivables
Financial assets at fair value through profit or loss – financial assets that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in the profit and loss account and are subsequently measured at fair value Gains and losses on financial assets that are designated as at fair value through profit or loss are recognised in the profit and loss account as they arise The net gain or loss recognised in profit or loss incorporates the interest earned on the financial asset Fair value is determined in the manner described in Note 21

Available for sale investments – The investment in London Clearing House is classified as available for sale and is stated at fair value Fair value is determined in the manner described in Note 21 Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit and loss accounts for the period

Loans and receivables – non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables Loans and receivables are initially recognised at fair value plus directly related transaction costs They are subsequently measured at amortised cost using the effective interest method less any impairment losses Interest is recognised by applying the effective interest rate, except for short-term receivables when recognition of interest would be immaterial

Investments consist of foreign government bonds, carried at market value

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets, other than those at fair value through profit or loss, is impaired A

1. **Accounting policies (continued)**

Impairment of financial assets (continued)

financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate

The carrying amount of the financial asset is reduced by the impairment loss on the asset or for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account When a trade receivable is uncollectible, it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account Changes in the carrying amount of the allowance account are recognised in profit or loss

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortised cost would have been, had the impairment not been recognised

In respect of available-for-sale equity securities, any subsequent increase in fair value after an impairment loss is recognised directly in equity

Debt and equity

Debt and equity instruments are classified according to the substance of the contractual arrangements entered into

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability The Company does not have any financial liabilities at fair value through profit or loss

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis The effective interest method is a method calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to its initial carrying value

Notes to the accounts
As at 31 December 2010

1. Accounting policies (continued)

Share-based payments

The Company operates equity-settled share-based payments schemes to certain employees whereby the employee are awarded stock units in the parent company Under FRS 20 Share Based Payments, the equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant The fair value determined at the grant date of the equity-settled share-based payments is expensed over seven years, with 10% of the cost being expensed in the first year and 15% of the cost in each of the succeeding six years, based on the Company's estimate of the shares that will eventually vest, adjusted for the effect of non-market based vesting conditions Fair value is measured based on the market value of parent company shares at grant date

Turnover

Turnover is recognised on an accrual basis and represents commission earned from agency trades

Interest receivable and payable

Interest receivable and payable are recognised on an accrual basis based on the contracted interest rate

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Sterling is the Company's functional and presentational currency Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions Exchange differences are included in the profit and loss account

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 5 (a) of Financial Reporting Standard No 1

Taxation

Current taxation is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is recognised in respect of all timing differences that have originated but not reversed, at the balance sheet date, where transactions or events that resulted in an obligation to pay more tax in the future or a right to pay less in the future tax have occurred at the balance sheet date Timing differences are differences between the Company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax assets are recognized to the extent it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

1. Accounting policies (continued)

Client money

Client money is held by the Company's affiliate, Interactive Brokers LLC ("IB LLC"), a broker-dealer registered in the USA Such money and the corresponding liabilities to clients are not reflected in the Company's balance sheet

2. Operating profit

Operating profit is stated after charging/(crediting)

	2010 £	2009 £
Clearing fees payable	784,297	563,911
Exchange fees payable	852,462	1,477,098
Depreciation	35,766	20,270
Foreign exchange (gain)/loss	8,288	(527,081)
Fees payable to the Company's auditors for the audit of the Company's annual accounts	16,500	17,250

3. Employee information including directors

	2010 No	2009 No.
Employees		
Sales	3	3
Information technology	2	2
Compliance	2	2
Administration	2	1
	9	8

The average monthly number of employees in the year was nine (2009 eight)

4. Directors' emoluments

	2010 £	2009 £
Emoluments	553,620	510,507

	2010 £	2009 £
Remuneration of the highest paid director:		
Emoluments	220,000	201,823
Stock incentive compensation	70,521	69,827
Pension contributions	5,480	5,480
	296,001	277,130

5. Share-based payments

The Company has a stock compensation plan which is a scheme introduced in 2007 to increase the emphasis on stock based incentive compensation and align the compensation of its key employees with the

Interactive Brokers (U.K.) Limited

Notes to the accounts
As at 31 December 2010

5. Share-based payments (continued)

long term interest of stakeholders Under the terms of this plan, IBG, Inc stock may be granted and issued to directors, officers, employees, contractors and consultants of IBG, Inc and its subsidiaries

The Stock Incentive Plan ("SIP Plan") and 2007 ROI Unit Stock Plan ("2007 ROI Unit Stock Plan") provide for a portion of certain key employee compensation to be granted in the form of stock units Under the SIP Plan and 2007 ROI Unit Stock Incentive Plan, stock units granted to employees have various vesting provisions and generally convert to common stock within seven years Such units are restricted from sale, transfer or assignment until the end of the restriction period The number of stock units credited is the function of the amount awarded to each participant and the closing fair market value of the parent company common stock on grant date During the years ended 31 December 2010 and 2009, the Company recognised compensation expenses of £180,588 and £163,132, respectively, related to these plans As at 31 December 2010 and 2009, there are £323,550 and £307,539, respectively, of total unrecognised compensation costs related to stock based compensation granted under the SIP Plan which is expected to be recognised over a weighted average period of approximately seven years

For the year ended December 31, 2010, Company employees were granted awards of 15,856 (2009 15,442) shares of Common Stock respectively, with a fair value at the date of grant of £174,923 (2009 £167,018) based upon the December 2010 Volume Weighted Average Price ("VWAP") of $17 21 (2009 $17 48) of the IBG, Inc 's Common Stock No shares were granted under the 2007 ROI Unit Stock Incentive Plan during 2010 or 2009

	The Stock Incentive Plan Shares	2007 ROI Unit Stock Incentive Plan Shares
Balance, December 31, 2009	40,724	5,365
Granted	15,856	-
Forfeited by employees	-	-
Distributed to employees	(5 948)	(1 341)
Balance, December 31, 2010	50,632	4,024

6. Interest receivable

	2010 £	2009 £
Balances with London Clearing House	83,566	117,975
Balances at bank	35,808	54,941
Government bonds	132,205	63,699
Inter-company balances	291,468	349,645
	543,047	586,260

7. Interest payable

	2010 £	2009 £
Balances with London Clearing House and banks	20,951	5,457
Inter-company balances	32 019	134 610
	52,970	140,067

8. Tax charge on profit on ordinary activities

	2010	2009
	£	£
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 28%	355,344	690,427
Prior year adjustment	(177,479)	-
	177,865	690,427
Deferred Tax		
Current year	(32,570)	22,213
Prior year adjustment	4,714	(10,280)
Current tax charge for period	150 009	702,360
Factors affecting tax charge for the current period		
Profit on ordinary activities before tax	1,210,698	2,465,811
Tax at 28% (2009 28%) thereon	338,995	690,427
Expenses not deductible for tax purposes	3,905	
Depreciation in excess of capital allowances	(4,605)	
Other short term timing differences	17,049	
Adjustment in respect of prior years	(177,479)	
Current tax for period	177,865	690,427

9. Tangible fixed assets

	Leasehold Improvement	Fixtures and Fittings	Computer Equipment	Total
	£	£	£	£
Cost				
At 1 January 2010	104,755	65,122	5,857	175,734
Additions	-	-	48,570	48,570
At 31 December 2010	104 755	65 122	54,427	224 304
Depreciation				
At 1 January 2010	44,321	42,639	1,176	88,136
Charge for the year	9 669	9 304	16,795	35 768
At 31 December 2010	53,990	51,943	17 971	123,904
Net book value				
At 31 December 2010	50,765	13,179	36,456	100,400
At 31 December 2009	60,434	22,481	4 681	87 596

10. Fixed asset investments – available for sale

	2010	2009
	£	£
Fixed asset investment - available for sale	297,619	297,619

The fixed asset investments relate to the Company's shareholding in the London Clearing House The holding is classified as available for sale and is stated at fair value The cost of the investment approximates the fair value as the shares are not quoted in an active market, are not transferable and are required for the Company to be able to conduct its business The Company has no intention to dispose of the shares

Interactive Brokers (U.K.) Limited

Notes to the accounts
As at 31 December 2010

11. Debtors

	2010	2009
	£	£
Trade debtors	21,326,913	31,651,105
Amounts owed from group undertakings	25,885	19,394
Other debtors	13,900	8,870
	21,366,698	31,679,369

12. Current asset investments – fair value through profit or loss

	2010	2009
	£	£
Foreign government bonds	17,143,837	44,294,826
Unearned discount on government bonds	(6,686)	(46,289)
	17,137,151	44,248,537

The balance as at 31 December 2010, represents investments in foreign government bonds that have been classified as current assets The bonds were valued at market value as at 31 December, 2010 and 2009

13. Creditors: amounts falling due within one year

Other financial liabilities

	2010	2009
	£	£
Bank overdraft	1,015	-
Trade creditors	141,208	-
Amounts owed to group undertakings	14,212,874	53,111,692
UK Corporation Tax	97,842	192,480
Accruals and deferred income	1,485,932	823,540
	15 938,871	54,127,712

14. Creditors: amounts falling due after one year

The employee incentive plan is a performance-related plan that allocates payments to certain employees over a five-year term The costs relating to the plan are accrued on a monthly basis until it becomes payable in May 2011

	2010	2009
	£	£
Employee incentive plan	47,829	85,131

15. Deferred taxation

	2010 £	2009 £
At 1 January	109,746	131,959
Credit/(Charge) to the profit and loss account	27,856	(22,213)
At 31 December	137,602	109,746

Analysis of deferred taxation balance	2010 £	2009 £
Depreciation in excess of capital allowance	(6,911)	-
Short term timing differences	144,513	109,746
Deferred tax assets recognised	137,602	109,746

16. Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
700 A ordinary shares of £1 each (2009 700 A ordinary share of £1 each)	700	700
125,000 B ordinary shares of €1 each (2009 125,000 B ordinary shares of €1 each)	78,632	78,632
	79 332	79,332

Class A and B shares rank pari passu and have one vote per share, no preferential dividend rights, no redemption rights and an unlimited right to share in any surplus remaining on the winding up of the Company

17. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Shareholders' funds as at 1 January	23,574,246	21,810,795
Profit for the financial year	1 060 689	1 763 451
Shareholders' funds as at 31 December	24,634,935	23,574,246

18. Statement of movements on reserves

	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 2010	14,220,668	9,274,246	23,494,914
Profit for the financial year	-	1,060,689	1,060,689
Balance at 31 December 2010	14,220,668	10,334,935	24,555,603

19. Dividend

No dividends were proposed for the year (2009 £0)

20. Immediate and ultimate controlling company and related party disclosures

The Company's immediate and ultimate controlling party is IBG LLC, a company incorporated in the USA This is the largest group in which the results of the company are consolidated Copies of the IBG LLC financial statements are available from 2 Pickwick Plaza, Greenwich, Connecticut, 06830, United States of America

The Company has taken advantage of the exemption from reporting related party transactions with group undertakings under paragraph 3(d) of Financial Reporting Standard No 8

21. Financial instruments and risk management

Overall

The Company's principal business activities result in exposure to market and credit risks In addition, the Company is subject to liquidity and cash flow risks Effective identification, assessment and management of these risks is critical to the success and stability of the Company As a result, comprehensive risk management procedures have been established to identify, monitor and control each of these major risks

At the parent company level, various management committees have been established that have responsibilities for monitoring and oversight of its activities and risk exposures of the companies within the Group

Market risk

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in bond prices Market risk can be exacerbated in times of illiquidity where market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads Market risk is inherent to the investment in government bonds and, accordingly, the scope of the Company's market risk management procedures includes all market risk-sensitive financial instruments

The Company's exposure to market risk is directly related to its role as a financial intermediary in customer trading transactions

Credit risk

Brokerage activities expose the Company to credit risks These risks are managed in accordance with established risk management policies and procedures To accomplish this, management has established a risk management process that includes

- A regular review of the risk management process by the executive management as part of their oversight role,
- Defined risk management policies and procedures supported by a rigorous analytic framework, and
- Articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Company's risk-taking is consistent with its business strategy, capital structure, and current and anticipated market conditions

21. Financial instruments and risk management (continued)

Credit risk (continued)

The Company is exposed to risk of loss if a counterparty or issuer fails to perform its obligations under contractual terms ("default risk") The Company has established policies and procedures for reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties

In the normal course of business, the Company executes, settles and finances various customer securities transactions Execution of these transactions includes the purchase and sale of securities by the Company that exposes the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations In these situations, the Company may be required to purchase or sell financial instruments at unfavourable market prices to satisfy obligations to other customers or counterparties The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines

As of 31 December 2010 and 2009, the Company did not have past due or impaired receivables and the receivables are expected to be recovered during the normal course of business The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained

Concentrations of credit risk

The Company's exposure to credit risk associated with its brokerage and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes

Concentrations of credit risk can be affected by changes in political, industry, or economic factors To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counter party and market conditions As of 31 December 2010 and 2009, the Company did not have any material concentrations of credit risk

Liquidity risk
Liquidity risk is the risk that an entity may encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments The Company has established procedures for measuring funding requirements and identifying potential liquidity mismatches

The Company maintains a highly liquid balance sheet The majority of the assets consist of margin deposits with clearing houses and investments in government bonds

The following table details the Company's expected maturity for its non-derivative financial assets and remaining contractual maturity for its non-derivative financial liabilities The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on or accrue to those assets and liabilities except where the Company anticipated that the cash flow will occur in a different period

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21. Financial instruments and risk management (continued)

Liquidity risk (continued)

2010	Weighted average effective interest rate %	Less than one month £	1 to 3 months £	3 months to 1 year £	More than 1 year £	Total £
Financial Assets						
Non interest bearing	-	484,019	-	-	297,619	781,638
Variable interest rate instruments	0 01	20,882,685	-	-	-	20,882,685
Fixed interest rate instruments	0 01	18,663,537	-	-	-	18,663,537
Financial Liabilities						-
Non interest bearing	-	329,955	1,607,612	-	68,829	2,006,396
Variable interest rate instruments	-	13,296,987	-	-	-	13,296,987

2009	Weighted average effective interest rate %	Less than one month £	1 to 3 months £	3 months to 1 year £	More than 1 year £	Total £
Financial Assets						
Non interest bearing	-	233,230	-	-	297,619	530,849
Variable interest rate instruments	0 01	31,446,140	-	-	-	31,446,140
Fixed interest rate instruments	0 01	45,323,949	-	-	-	45,323,949
Financial Liabilities						
Non interest bearing	-	-	618,381	-	-	618,381
Variable interest rate instruments	-	52,420,538	-	-	-	52,420,538

Fair value of financial instruments

At 31 December 2010 and 2009, the carrying amount of all the Company's financial assets and financial liabilities were carried at fair value or at amounts that approximate fair value The fair value for foreign investment bonds is based on the quoted market price at the balance sheet date while the cost of investment in London Clearing House ("LCH") is deemed to approximate fair value as the shares of LCH are not quoted in an active market, the shares are non-transferable and can only be realised at cost upon cessation of the Company's operation The carrying amount of other financial assets and financial liabilities approximate fair value due to their maturities of less than 1 year

Fair value measurements recognised in the statement of financial position

In determining fair value, all investments with the exception of shares held at LCH, are classified within Level 1 of the fair value hierarchy, and are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets

21. Financial instruments and risk management (continued)

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts

	2010 £	2009 £
Financial Assets		
Cash	1,526,386	1,075,412
T-Bills Fair value through profit or loss*	17,137,151	44,248,537
Available for sale	297,619	297,619
Debtors	21,366,698	31,679,369
Financial Liabilities		
Amortised Cost	15,986,700	54,212,842

*The notional price of the T Bills in 2010 was £17,143,837 (2009 £44,294,826)

22. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance During the year and prior year, the Company complied with the Financial Services Authority minimum capital requirements

The capital structure of the Company consists of shareholders' equity comprising issued capital and retained earnings as disclosed in note 16 and 17