

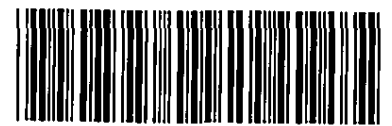
Company Registration No. 3958476

Interactive Brokers (U.K.) Limited

Report and Financial Statements

31 December 2007

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Interactive Brokers (U.K.) Limited

Report and financial statements 2007

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Interactive Brokers (U.K.) Limited

Officers and professional advisers

Directors

Thomas Peterffy
Yograj Aggarwal
Gerald Perez
Jonathan Chart

Secretary

Paul Brody

Registered office

One Carey Lane
Fifth Floor
London EC2V 8AE

Bankers

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

Solicitors

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Auditors

Deloitte & Touche LLP
London

Interactive Brokers (U.K.) Limited

Directors' report

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 December 2007

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, IDEM Borsa Italiana, the Italian derivatives exchange, and MEFF, the Spanish derivatives exchange It is also a general clearing member of London Clearing House for LSE, LIFFE, EDX and the Virt-x exchange

RESULTS AND DIVIDENDS

The directors' report a profit after taxation of £1,976,470 for the year ended 31 December 2007 (2006 £1,846,426) No dividends are proposed (2006 - fml)

FUTURE PROSPECTS

The directors do not anticipate any change to the company's activities for the foreseeable future

BUSINESS REVIEW

Overall, pre-tax profit increased by 4% or £0.1 million to £2.8 million for the year ended 31 December 2007 from £2.7 million for the year ended 2006 The increase in pre-tax profits was primarily due to increases in customer cash and margin balances, increase in volume across all products and increase in the number of customer accounts

For the year ended 31 December 2007, trade volume on the London Stock Exchange ("LSE") increased approximately 63% or 1 million trades to 2.6 million trades and total trade value decreased approximately 22% or £6.7 million to £23.6 million from 31 December 2006 Futures volume decreased by 33% or 0.4 million contracts to 0.8 million contracts for the year ended 31 December 2007 For the year ended 31 December 2007 options volume increased by 22% or 1.8 million contracts to 10.3 million contracts from 8.4 million contracts for the year ended 31 December 2006 The number of customer accounts grew by approximately 27% or approximately 5,400 to approximately 25,400 in 2007

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interactive Brokers (U.K.) Limited

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 investment in government bonds, which are marked to market, and collateralised receivables, primarily consisting of receivables from clearing houses for settlement of securities transactions via inter company balances.

DIRECTORS

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

AUDITORS

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 of which the Company's auditors are 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 and to establish that the Company's auditors are aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985. Deloitte & Touche 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



Yograj Aggarwal

Director

31 March 2008

Interactive Brokers (U.K.) Limited

Statement of directors' responsibilities

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 the financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' 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 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the Company, 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.

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

31 March 2008

Interactive Brokers (U.K.) Limited

Profit and loss account Year ended 31 December 2007

	Note	2007 £	2006 £
Turnover		8,104,257	7,477,806
Administrative expenses		(6,746,345)	(5,867,813)
Other operating income		<u>706,750</u>	<u>17,115</u>
Operating profit	2,3	2,064,662	1,627,108
Interest receivable	6	3,793,165	3,022,818
Interest payable	7	<u>(3,100,666)</u>	<u>(1,981,143)</u>
Profit on ordinary activities before taxation		2,757,161	2,668,783
Tax on profit on ordinary activities	8	<u>(780,691)</u>	<u>(822,358)</u>
Profit on ordinary activities after taxation and profit for the financial year		<u><u>1,976,470</u></u>	<u><u>1,846,425</u></u>

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 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	9	120,982	139,955
Investments - available for sale	10	297,619	297,619
		<u>418,601</u>	<u>437,574</u>
CURRENT ASSETS			
Deferred taxation	15	68,697	19,189
Debtors	11	18,733,981	62,517,047
Prepayments		39,055	43,821
Investments - fair value through profit or loss	12	80,344,170	30,609,082
Cash at bank and in hand		3,243,942	2,636,080
		<u>102,429,845</u>	<u>95,825,219</u>
CREDITORS. amounts falling due within one year	13	(82,245,978)	(77,575,457)
NET CURRENT ASSETS		<u>20,183,867</u>	<u>18,249,762</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,602,468</u>	<u>18,687,336</u>
Creditors: amounts falling due after one year	14	(72,018)	(133,356)
NET ASSETS		<u>20,530,450</u>	<u>18,553,980</u>
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	6,230,450	4,253,980
SHAREHOLDERS' FUNDS	17	<u>20,530,450</u>	<u>18,553,980</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2008. They were signed on behalf of the Board of Directors by



Yograj Aggarwal
Director

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Standards, amendment and interpretations effective in 2007

During the year the Company adopted the following Financial Reporting Standards (FRS) which are relevant to its operations:

FRS 26 - Financial Instruments Recognition and Measurement

FRS 29 - Financial Instruments Disclosures

The adoption of FRS 26 and FRS 29 did not result in substantial changes to the Company's accounting policies except for the policy on investment in London Clearing House.

FRS 29 revises and enhances previous disclosures required by FRS 25 'Financial Instruments Disclosures'. The adoption of FRS 29 does not have any impact upon the results or net assets of the Company.

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

Financial assets

Financial assets are classified into held-to-maturity investments, financial assets at fair value through profit or loss, available for sale investments or loans and receivables.

Held-to-maturity investments – a financial asset is classified as a held-to-maturity investment only if it has fixed or determinable payments, a fixed maturity and the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments 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, with revenue recognised on an effective yield basis.

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 income statement and that 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 income statement 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 – 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 investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

1. Accounting policies (continued)

Financial assets (continued)

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.

The Company does not have any held-to-maturity investments.

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 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. Assets 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 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.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

1. Accounting policies (continued)

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.

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. 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.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

1. Accounting policies (continued)

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 recognized in the financial statements

Client money

Client money is held by the Company's affiliate, Interactive Brokers LLC. 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)

	2007 £	2006 £
Clearing fees payable	1,548,908	1,483,482
Exchange fees payable	2,650,051	2,048,206
Depreciation	18,973	14,448
Foreign exchange loss/(gain)	88,116	(90,284)
Net unrealised (gain)/loss on revaluation of German government bonds - fair value through profit or loss	(514,478)	74,442
Fees payable to the Company's auditors for the audit of the Company's annual accounts	35,250	25,057
	<u>35,250</u>	<u>25,057</u>

3. Employee information including directors

	2007 No	2006 No
Employees		
Sales	4	4
Information technology	2	2
Compliance	2	2
Administration	1	1
	<u>9</u>	<u>9</u>
	£	£
Staff costs including directors		
Wages and salaries	678,257	774,818
Social security costs	99,440	85,941
	<u>777,697</u>	<u>860,759</u>

The average monthly number of employees in the year was nine (2006 nine)

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

4. Directors' emoluments

	2007	2006
	£	£
Emoluments	486,071	292,835
	<u>486,071</u>	<u>292,835</u>
	2007	2006
	£	£
Remuneration of the highest paid director.		
Emoluments	249,000	149,435
Stock incentive compensation	31,786	-
Pension contributions	3,900	-
	<u>284,686</u>	<u>149,435</u>

5. Share-based payments

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

The Stock Incentive Plan ("SIP Plan") provides for a portion of certain key employee compensation to be granted in the form of stock units. Under the SIP 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 dollar amount awarded to each participant and the closing fair market value of the parent company common stock on grant date. During the year ended 31 December 2007, the Company recognised compensation expenses of £54,661. As at 31 December 2007 there are £1,062,001 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.

Details of the units outstanding.	Units	Weighted average fair value £
Outstanding at the beginning of the year	-	-
Granted	15,987	60.59
Distributed	(761)	59.62
Outstanding at the end of the year	<u>15,226</u>	

There were no units forfeited, exercised or expired during the year. There were also no units exercisable at the end of the year.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

6. Interest receivable

	2007 £	2006 £
Balances with London Clearing House	1,801,436	1,476,384
Balances at bank	98,879	76,990
German government bonds	776,099	657,430
Inter-company balances	<u>1,116,751</u>	<u>812,014</u>
	<u>3,793,165</u>	<u>3,022,818</u>

7. Interest payable

	2007 £	2006 £
Balances with London Clearing House	37,576	18,583
Inter-company balances	<u>3,063,090</u>	<u>1,962,560</u>
	<u>3,100,666</u>	<u>1,981,143</u>

8. Tax charge on profit on ordinary activities

	2007 £	2006 £
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2006 30%)	(849,801)	(851,097)
Adjustment in respect of prior years	19,602	7,016
	<u>(830,199)</u>	<u>(844,081)</u>
Deferred tax		
Current year	(13,455)	21,723
Adjustment in respect of prior years	62,963	-
	<u>49,508</u>	<u>21,723</u>
Current tax charge for period	<u>(780,691)</u>	<u>(822,358)</u>
Factors affecting tax charge for the current period		
Profit on ordinary activities before tax	<u>2,757,161</u>	<u>2,668,783</u>
Tax at 30% (2006 30%) thereon	(827,148)	(800,635)
Expenses not deductible for tax purposes	(1,500)	(4,152)
Depreciation in excess of capital allowances	(2,803)	1,062
Other short term timing differences	(18,350)	(47,372)
Adjustment in respect of prior years	19,602	7,016
Current tax for period	<u>(830,199)</u>	<u>(844,081)</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

9. Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2007	104,755	65,122	6,939	176,816
At 31 December 2007	104,755	65,122	6,939	176,816
Depreciation				
At 1 January 2007	15,311	14,611	6,939	36,861
Charge for the year	9,670	9,303	-	18,973
At 31 December 2007	24,981	23,914	6,939	55,834
Net book value				
At 31 December 2007	79,774	41,208	-	120,982
At 31 December 2006	89,444	50,511	-	139,955

10. Fixed asset investments – available for sale

	£
At 31 December 2007 / 2006	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.

11. Debtors

	2007 £	2006 £
Trade debtors	16,741,789	61,769,284
Amounts owed from group undertakings	37,399	380,888
Other debtors	1,954,793	366,875
	18,733,981	62,517,047

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

	2007 £	2006 £
German government bonds	78,570,348	30,179,005
Accrued interest on government bonds	1,773,822	430,077
	80,344,170	30,609,082

The German government bonds mature within one year and have been classified as a current asset investment. They are valued at market value at the year-end.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

13 Creditors: amounts falling due within one year

Other financial liabilities

	2007	2006
	£	£
Bank overdraft	2,250,366	-
Amounts owed to group undertakings	78,932,467	76,667,221
UK Corporation Tax	336,597	225,398
Accruals and deferred income	726,548	682,838
	<u>82,245,978</u>	<u>77,575,457</u>

14. Creditors: amounts falling due after one year

Other financial liabilities

	2007	2006
	£	£
Employee incentive plan	72,018	133,356
	<u>72,018</u>	<u>133,356</u>

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 2009.

15. Deferred taxation

Movement on deferred taxation balance in the year

	Deferred taxation	
	2007	2006
	£	£
At 1 January	19,189	(2,534)
Charge to the profit and loss account	49,508	21,723
At 31 December	<u>68,697</u>	<u>19,189</u>

Analysis of deferred taxation balance

	2007	2006
	£	£
Depreciation in excess of capital allowance	(5,850)	(3,596)
Short term timing differences	74,547	22,785
Deferred tax assets recognised	<u>68,697</u>	<u>19,189</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

16. Share capital

	2007	2006
Authorised		
A ordinary shares of £1 each	1,100	1,100
B ordinary shares of €1 each	125,000	125,000
	<u>125,000</u>	<u>125,000</u>
	2007	2006
	£	£
Allotted, called up and fully paid		
700 A ordinary shares of £1 each (2006 700 A ordinary share of £1 each)	700	700
125,000 B ordinary shares of €1 each (2006 125,000 B ordinary shares of €1 each)	78,632	78,632
	<u>79,332</u>	<u>79,332</u>

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

	2007	2006
	£	£
Shareholders' funds as at 1 January	18,553,980	16,707,554
Profit for the financial year	1,976,470	1,846,426
Shareholders' funds as at 31 December	<u>20,530,450</u>	<u>18,553,980</u>

18. Statement of movements on reserves

	Capital contribution	Profit and loss account	Total
	£	£	£
Balance at 1 January 2007	14,220,668	4,253,980	18,474,648
Profit for the financial year	-	1,976,470	1,976,470
Balance at 31 December 2007	<u>14,220,668</u>	<u>6,230,450</u>	<u>20,451,118</u>

19. Client money

At 31 December 2007, client money held at an affiliated company on behalf of the Company's clients amounted to £495,807,915 (2006 £351,824,314)

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, and its financial statements are consolidated into those of IBG LLC

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

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Notes to the accounts As at 31 December 2007

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 are 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.

At the reporting date, if the market price of the Government bonds had been 10% higher/lower while other variables were held constant, net profit would increase/decrease by £8,034,417 (2006 increase/decrease by £3,060,908).

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.

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.

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Notes to the accounts As at 31 December 2007

21. Financial instruments and risk management (continued)

Credit Risk (continued)

As of 31 December 2007, 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 counterparty and market conditions. As of 31 December 2007, 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 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 investment in government bonds and inter company balances.

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 table 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.

2007	Weighted average effective interest rate %	Less than 1 month £	1 – 3 months £	3 months to 1 year £	More than 1 year £	Total £
Financial assets						
Non interest bearing	-	39,055	-	-	297,619	336,674
Variable interest rate instruments	3.48	99,078,150	-	-	-	99,078,150
Fixed interest rate instruments	4.44	3,243,943	-	-	-	3,243,943
Financial liabilities						
Non interest bearing	-	-	726,638	336,597	72,018	1,135,253
Variable interest rate instruments	3.98	81,182,833	-	-	-	81,182,833

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2007

21. Financial instruments and risk management (continued)

Liquidity Risk (continued)

2006	Weighted average effective interest rate %	Less than 1 month £	1 – 3 months £	3 months to 1 year £	More than 1 year £	Total £
Financial assets						
Non interest bearing	-	43,821	-	-	297,619	341,440
Variable interest rate instruments	3.73	93,126,129	-	-	-	93,126,129
Fixed interest rate instruments	3.96	2,636,080	-	-	-	2,636,080
Financial liabilities						
Non interest bearing	-	-	682,838	225,398	133,356	1,041,592
Variable interest rate instruments	4.01	76,667,221	-	-	-	76,667,221

Fair value of financial instruments

At 31 December 2007 and 2006, 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 German 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 is not quoted in an active market and 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.

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 instruments are disclosed in Note 1 to the accounts.

	2007 £	2006 £
Financial assets		
Cash	3,243,943	2,636,080
Fair value through profit or loss	80,344,170	30,609,082
Available for sale	297,619	297,619
Loans and receivables	18,773,036	62,560,868
Financial liabilities		
Amortised cost	82,318,086	77,708,813

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Notes to the accounts

As at 31 December 2007

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. The Company's overall strategy remains unchanged from 2006. 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.